

**Recommendations on Government housing policies and programs : a report of the President's advisory committee on government housing policies and programs.**

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The President's  
Advisory Committee on  
Government Housing  
Policies and Programs



A REPORT TO THE  
PRESIDENT OF THE UNITED STATES

*December, 1953*

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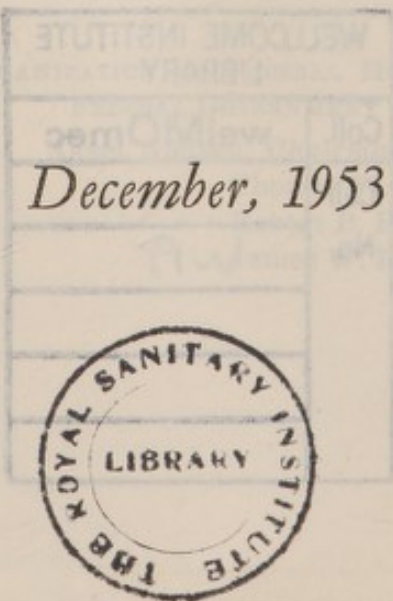
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Government  
Housing Policies  
and Programs

A REPORT

OF THE PRESIDENT'S ADVISORY COMMITTEE ON  
GOVERNMENT HOUSING POLICIES AND PROGRAMS



RECOMMENDATIONS ON

Government  
Housing Policies

PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT HOUSING POLICIES AND PROGRAMS

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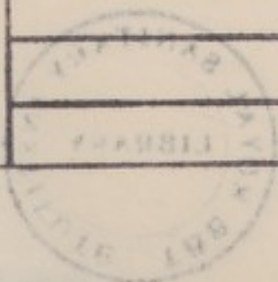
George L. Bliss  
Ernest J. Bohn  
Ehney A. Camp, Jr.  
Miles L. Colean  
A. R. Gardner  
Richard J. Gray  
Richard G. Hughes  
Rodney M. Lockwood  
William A. Marcus  
Norman P. Mason  
Robert M. Morgan

Thomas W. Moses  
Aksel Nielsen  
Robert B. Patrick  
James W. Rouse  
Bruce C. Savage  
John J. Scully  
Alexander Summer  
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EXECUTIVE COMMITTEE

DECEMBER 14, 1953.

THE PRESIDENT,  
THE WHITE HOUSE,  
Washington 25, D. C.

MY DEAR MR. PRESIDENT: I have the honor to present herewith the report of the Advisory Committee on Government Housing Policies and Programs.

The Committee's report, including the reports of the several Subcommittees, has been agreed to by each of the members. This does not mean that there is unanimous agreement by each and every member as to each and every recommendation. Each of the Committee recommendations was adopted by a majority vote. Where a substantial number of the members disagreed with the majority, both points of view have been presented in the report in order that you may have the advantage of the full thinking of the Committee members.

During the 9 weeks that the Committee has been studying the Federal Government's housing programs and organization, it has been mindful of your specific request that there be developed a series of recommendations which would clearly identify the proper role of the Federal Government in the housing field and outline "more economical and effective means for improving the housing conditions of our people." It is most certainly the consensus of the Committee that the recommendations as a whole represent a sound approach to the task of better meeting the housing needs of our people.

I cannot conclude my formal presentation of the Committee report without emphasizing the great sincerity and dedication to the task you assigned them which motivated each and every member of the Committee.

Respectfully,

*Albert M. Cole*

Chairman.



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With reorganization of the Housing Agency itself for greater efficiency and economy.

To wipe out existing slums and to check the spread of blight is a major goal of our housing program. To reach this goal we must remove houses and clear areas of our cities which are beyond repair; we must restore to sound condition all dwellings worth saving. In this way we can establish as healthy neighborhoods vast areas of our cities which are now blighted or badly threatened by blight.

A piecemeal attack on slum supply will not work—occasional thrusts at slum pockets in one section of a city will only push slums to other sections unless an effective program exists for attacking the entire problem of urban decay. Programs for slum prevention, for rehabilitation of existing houses and neighborhoods, and for demolition of worn-out structures and areas most adversely along a broad unified front to accomplish the renewal of our towns and cities. This approach must be vigorously carried out in the localities themselves, and will require local solutions which vary widely from city to city.

The Committee is impressed with the widespread interest evident throughout the country in rehabilitation and neighborhood conservation as well as the important corrective effects recently launched in some of our cities. The program recommended here is designed to encourage and stimulate this activity through:

(1) Federal assistance to help communities help themselves attack the problem of the spread of slums at every stage of urban decay. Federal grants and loans to communities are recommended for the clearance of slums and for providing parks, playgrounds, street im-

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PRESIDENT'S ADVISORY COMMITTEE ON HOUSING  
GENERAL REPORT

## REPORT OF THE PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT HOUSING POLICIES AND PROGRAMS

The President of the United States has asked for recommendations to develop a new and revitalized housing program. That program should meet the problems of housing and sound community development through a series of related actions. Recognizing this, no single recommendation of the Committee could be considered an adequate solution in itself—the program must be closely integrated, comprehensive, and meet the twin objectives of satisfying the demand of the American people for good homes and the maintenance of a sound and growing economy.

To accomplish these aims, action is recommended in five areas: First, a vigorous attack on slums and a broad effort to prevent the spread of slums; second, the effective maintenance and utilization of existing houses; third, a steady increase in the volume of building of new houses; fourth, special assistance for families of low income; fifth, reorganization of the Housing Agency itself for greater efficiency and economy.

To wipe out existing slums and to check the spread of blight is a major goal of our housing program. To reach this goal we must remove houses and clear areas of our cities which are beyond recall; we must restore to sound condition all dwellings worth saving. In this way we can establish as healthy neighborhoods vast areas of our cities which are now blighted or badly threatened by blight.

A piecemeal attack on slums simply will not work—occasional thrusts at slum pockets in one section of a city will only push slums to other sections unless an effective program exists for attacking the entire problem of urban decay. Programs for slum prevention, for rehabilitation of existing houses and neighborhoods, and for demolition of wornout structures and areas must advance along a broad unified front to accomplish the renewal of our towns and cities. This approach must be vigorously carried out in the localities themselves, and will require local solutions which vary widely from city to city.

The Committee is impressed with the tremendous interest evident throughout the country in rehabilitation and neighborhood conservation as well as the important corrective efforts recently launched in some of our cities. The program recommended here is designed to encourage and stimulate this activity through:

(1) Federal assistance to help communities help themselves attack the problem of the spread of slums at every stage of urban decay. Federal grants and loans to communities are recommended for the clearance of slums and for providing parks, playgrounds, street im-



provements, and other public facilities required for the effective rehabilitation and maintenance of healthy neighborhoods;

(2) Extension of long-term FHA mortgage insurance into designated older areas of our communities so that liberal financing will be available to build and to rehabilitate dwelling units for sale and rent;

(3) The establishment of an advisory service in the Housing and Home Finance Agency to help the cities keep posted on new techniques for urban renewal as they evolve among cities throughout the country, and

(4) The formation outside Government of a broadly representative national organization to help promote and lead this dynamic program for renewal of the towns and cities of America.

The development of effective renewal projects in some cities will help and guide others, and will point the way for the whole of the urban renewal program. To accelerate development of sound pilot projects the Committee recommends that a special fund of \$5 million be made available to the Urban Renewal Administrator with wide discretion as to its use on experimental projects in selected communities.

As a further continuing encouragement to high-level performance by the communities, it is recommended that one-third of the Federal grants made annually by the Congress for the purpose of betterment in housing be made specifically available to those communities with outstanding performance records in attacking the problems of urban decay.

The Committee recommends certain modifications of the FHA program to adapt insured mortgage lending on new and existing homes to the special housing needs of low-income families. It recommends this program be undertaken on a limited basis.

It must be recognized that certain of our families, because of their low-income status, are unable to pay the costs of good housing. Also, any speedup in activity designed to cure urban blight will almost surely aggravate the conditions faced by these families and minority groups. Some form of public subsidy is required to meet this problem. The Committee is therefore recommending that the program of subsidized low-rent public housing as enacted by the Congress in the Housing Act of 1949 be continued. However, a number of amendments are offered to this Act which experience has demonstrated are needed in the operation of that program. Among these is a recommendation that low-income families displaced as a result of slum clearance, rehabilitation, or other public works be given preference in admission to subsidized public housing.

The Committee is deeply concerned with the housing problems of minority groups. Too often, the opportunities of minority group



## GENERAL REPORT

families to obtain adequate housing are extremely limited or non-existent. Too often, the workings of our free economy do not provide solutions that benefit minorities. The recommendations contained herein, if supplemented by changes in the attitude of private investors and bolstered by vigorous administrative practice, offer a basis for substantial improvements in the housing conditions of minority groups. Legislation alone cannot provide needed sites, a flow of mortgage funds, needed new construction, nor a solution of neighborhood and related problems. The legislation recommended will help, and, along with vigorous activities by public officials and private organizations throughout the Nation, real progress can be made in this field.

Another and vitally important part of the comprehensive program recognizes that certain actions should be taken to encourage a continued large volume of new building and the maintenance of existing housing. The flow of private-lending funds must be encouraged. The well established activities of the Federal Home Loan Bank System and the Federal Housing Administration should be continued, and provisions of the FHA system should be modified to assure greater adaptability to present-day conditions. In addition, a privately financed secondary market facility should be established to level out the peaks and valleys in the flow of funds for mortgage investment, particularly in the smaller communities and those areas chronically short of investment capital. A committee of informed Government officials should be established and empowered to make certain that maximum interest rates on mortgages carrying FHA and VA insurance are responsive to upward or downward changes in the money market.

A number of recommendations are made in the interest of efficiency and economy to consolidate and simplify the organization of housing activities of the Federal Government. These activities should be grouped within a single agency, headed by an administrator with clear supervisory authority. The administrator should be relieved of direct operating responsibilities. A number of current activities have been found unnecessary, and should be terminated. Others do not properly belong in the Housing Agency and should be transferred to other agencies or departments.

It must be reemphasized that these recommendations are a part of a comprehensive program and that no one nor even an exclusive grouping of these recommendations can serve to accomplish the aims of the Committee. The primary concern of the Committee has been to broaden the whole approach to bettering the living conditions of the American people. It is in this spirit that the specific and detailed recommendations which follow are respectfully presented for the consideration of the President.



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PRESIDENT'S ADVISORY COMMITTEE ON HOUSING  
communities for rehabilitation and conservation of areas  
should be available for well-  
neighborhood projects at any stage of the urban renewal  
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## SUMMARY OF THE ADVISORY COMMITTEE'S SPECIFIC RECOMMENDATIONS

In order to carry out its detailed studies of the Government's housing policies and programs, the Advisory Committee set up five Subcommittees. The work of these Subcommittees was coordinated by the Executive Committee. The conclusions and recommendations of the several Subcommittees were reviewed, and in some cases modified, by the full Advisory Committee. The recommendations below are those finally adopted by the Advisory Committee. They are grouped by major purpose rather than by reference to the Subcommittees which originally proposed them. The reports of the various Subcommittees constitute the appendices of this report. Appendix 1 is the report of the Subcommittee on FHA and VA Housing Programs and Operations; Appendix 2 is the report of the Subcommittee on Urban Redevelopment, Rehabilitation and Conservation; Appendix 3 is the report of the Subcommittee on Housing for Low-Income Families; Appendix 4 is the report of the Subcommittee on Housing Credit Facilities; Appendix 5 is the report of the Subcommittee on Organization of Federal Housing Activities in the Federal Government. In connection with each of the Advisory Committee's recommendations below, a reference is provided to the portions of the appendices which deal with the same subject.

### I. Statement of Basic Policy

It is the conviction of this Committee that the constant improvement of the living conditions of all the people is best accomplished under a strong, free, competitive economy, that every action taken by Government in respect to housing should be for the purpose of facilitating the operation of that economy to provide adequate housing for all the people, to meet demands for new building, to assure the maintenance, restoration, and utilization of the existing stock of housing, and the elimination of conditions that create hazards to public safety and welfare and to the economic health of our communities, and that only those measures that prove to be successful in meeting these objectives should be continued.

### II. Recommendations Designed To Provide Special Aids to Local Communities and to Property Owners To Encourage the Conservation and Renewal of Decaying Neighborhoods

1. The program of Federal loans and grants established by title I of the Housing Act of 1949 should be broadened. It should provide



assistance to communities for rehabilitation and conservation of areas worth saving as well as for the clearance and redevelopment of worn-out areas. It should make Federal loans and grants available for well-planned neighborhood projects at any stage of the urban renewal process provided they will clear blight and establish sound healthy neighborhoods. (Appendix 2, Recommendations 1 and 3.)

2. An urban renewal fund should be established to provide both loans and grants to local communities for urban renewal. The size of the fund should be sufficient to permit necessary advance planning and it should be augmented yearly in such amounts as the Administration and the Congress may determine. The grant funds presently authorized and unused under Title I of the Housing Act of 1949 should be transferred to the urban renewal fund. The studies of the Committee indicate that they are adequate to cover requirements for at least the next fiscal year. Additions to the fund should be made yearly in such amounts as the Administration and the Congress may determine, taking into consideration the capacity of the program and the financial ability of the Federal Government to provide the necessary funds. (Appendix 2, Recommendation 5.)

3. To provide technical and professional assistance to communities, at their request, for the planning and development of programs for urban renewal, an urban renewal service should be established in the Urban Renewal Administration (a proposed new constituent of the Housing and Home Finance Agency, which will be described later in this report). (Appendix 2, Recommendation 6.)

4. To encourage more effective action among the cities in facing up to their problems of blight the present basis for geographical allocation of funds should be modified to make one-third of the capital grant funds available to those cities showing the highest level of performance in a positive overall attack on urban decay. (Appendix 2, Recommendation 10.)

5. A special fund of \$5 million should be set aside from the presently authorized funds for grants under Title I of the Housing Act of 1949 to be used in testing, developing, and reporting slum prevention and slum elimination techniques in American communities. Expenditures from this fund should be on a two-thirds grant basis but should be made available to communities without regard to the restrictions imposed on other loan and grant funds. Lessons learned through this activity will be of great value to other cities and to the Federal Government in the refinement and improvement of the urban renewal program. (Appendix 2, Recommendation 11.)

6. To help the smaller communities and to stimulate planning and action on a metropolitan area basis, grants are recommended on a matching basis to state or metropolitan area governmental planning



agencies to cover the cost of technical assistance. (Appendix 2, Recommendation 16.)

7. The Federal Housing Administration should be authorized to insure the private financing of dwellings in urban renewal areas. To carry out this recommendation the Committee urges that Title II of the National Housing Act be amended by the addition of a new Section 220 which would empower the Federal Housing Commissioner to insure loans on liberal terms for the rehabilitation of existing properties and for the construction of new dwellings in designated renewal areas, provided the local community has taken appropriate action and presented evidence that it has developed a workable program to attack the problem of urban decay. The Committee agrees that unreasonable rent increases ought not to follow rehabilitation. The Section 220 proposal contemplates the establishment of maximum rents for structures of 12 or more units. This control would follow the same procedures now used by the Federal Housing Administration in its large-scale rental housing program. A substantial minority felt that similar provision should be made to cover all rehabilitated structures including single-family homes. (Appendix 1, Recommendation 16; Appendix 2, Recommendation 7; Appendix 3, Recommendation 1.)

8. To see to it that Federal assistance as related to local programs which actually face up to the local problems, the Committee recommends that extension of Federal financial assistance and the insurance of mortgages in urban renewal areas be conditioned upon the submission by the local communities of a workable program to attack the problem of urban decay.

The same type of evidence should be presented by the community before Federal assistance is granted for low-rent subsidized housing. Determinations regarding compliance with the requirements should be made by the Housing and Home Finance Administrator on the advice and recommendation of the Urban Renewal Administration, in order that all Federal action, be it in the form of loans, grants or mortgage insurance in urban renewal areas can be closely coordinated in the interest of both the local community and the Federal Government. (Appendix 2, Recommendations 2, 3, 8 and 9; Appendix 3, Recommendation 5; Attachment to Appendix 3.)

9. A broadly representative private organization should be formed outside the Federal Government with congressional and/or Presidential sponsorship to mobilize public opinion in support of vigorous action by the communities in slum prevention, neighborhood conservation and other urban renewal activities. There is a need for vigorous and responsible leadership on a national scale to promote the type of integrated urban renewal program which is recommended. Such an undertaking should not be a direct activity of the



Federal Government but rather should be carried out by a private organization which will bring together top leaders in business and labor, trade, civic and religious organizations. (Appendix 2, Recommendation 12.)

10. The Committee urges that this private national organization encourage inquiries into the ownership and operation of slum property and the failure of cities to compel compliance with their health and housing codes. Such inquiries into the nature of the slum problem and some of its principal causes can be important first steps in activating public opinion in support of effective slum prevention and urban renewal programs. Appendix 2, Recommendation 13.)

### III. Recommendations Designed To Maintain and Improve the Existing Housing Supply

1. The minimum down payments and maximum amortization periods recommended elsewhere in the report for Section 203 of the National Housing Act should be made available to both existing and new homes. The adoption of this recommendation will put good used housing within the financial reach of more families. (Appendix 1, Recommendation 5.)

2. Title I of the National Housing Act should be amended to permit Class I (a) loans to finance the modernization or repair of existing structures up to a maximum amount of \$3,000 with a maximum term of 5 years. This recommendation is designed to permit somewhat larger character loans for a longer amortization period to encourage the modernization of single-family homes. (Appendix 1, Recommendation 1.)

3. With respect to the insurance of Class I (b) loans for the modernization, repair, or conversion of residential structures which is now authorized under Title I of the National Housing Act, the Committee recommends two changes. First, for those structures which are designed for the use of 2 to 4 families, the present \$10,000 loan limitation should be retained but the maximum term of the loan should be increased to 10 years. Second, for the rehabilitation of larger properties designed to accommodate more than four families, it is recommended that insurance of loans be authorized up to a maximum of \$10,000 per structure or \$1,500 per unit, whichever is greater, and have a maximum term of 10 years. (Appendix 1, Recommendation 2.)

4. The Federal Housing Administration should utilize every available administrative control to assure that home owners are protected against possible losses from irresponsible parties utilizing the modernization program under Title I of the National Housing Act. (Appendix 1, Recommendation 3.)



5. The National Housing Act should be amended to permit the Federal Housing Administration to include an open-end clause in its insurance contracts. Although it is recognized that there are some legal difficulties in this recommendation, it is the opinion of the Committee that wherever State laws permit, the Federal Housing Administration should authorize open-end mortgages, provided advances of funds under such mortgages are used exclusively for repairs, improvements, enlargements, modernization, or permanent additions to the realty. (Appendix 1, Recommendation 25.)

6. Appropriate administrative steps should be taken by the Federal Housing Commissioner to permit wider use of the trade-in house program as a means of upgrading the existing inventory of housing. (Appendix 1, Recommendation 28.)

#### IV. Recommendations Designed To Encourage Private Building Activity

1. Section 203 of the National Housing Act should be amended to provide Federal Housing Administration insurance of mortgage loans on 1- to 4-family homes of 95 percent of the first \$8,000 of the value and 75 percent of the excess with an increase in mortgage ceilings to \$20,000 for 1- and 2-family dwellings, \$27,500 for 3-family dwellings, and \$35,000 for 4-family dwellings. (Appendix 1, Recommendation 6.)

2. The maximum term for all home mortgages insured under Section 203 of the National Housing Act should be increased to 30 years. (Appendix 1, Recommendation 7.)

3. For multifamily rental housing under Section 207 of the National Housing Act the upper mortgage limit of \$10,000 per unit should be removed and the maximum mortgage should be determined by applying \$2,000 per room or 80 percent of value, whichever is less, with \$2,400 per room for fire resistant or fireproof elevator structures. For projects having an average of less than four rooms the \$7,200 maximum mortgage should be retained. (Appendix 1, Recommendation 13.)

4. Section 207 of the National Housing Act should be amended to clarify the authority of the Federal Housing Administration to insure loans up to 90 percent of value but not in excess of \$7,200 on projects where the *average* number of bedrooms is not less than two per unit. (Appendix 1, Recommendation 14.)

5. Mortgage ceilings for cooperative housing projects under Section 213 of the National Housing Act should be modified to provide \$2,250 per room if there are 4 or more rooms per unit; \$2,700 per room for fire resistant or fireproof elevator structures; \$8,100 per unit for projects averaging less than 4 rooms per unit. But in no case should these amounts be in excess of 90 percent of cost. For projects with



more than 50 percent veteran participation the mortgage ceilings should be increased appropriately to allow for the 95 percent mortgage which is available to them. (Appendix 1, Recommendation 15.)

6. The term of all Federal Housing Administration debentures issued in settlement of foreclosure claims should be 10 years from date of issue. (Appendix 1, Recommendation 23.)

7. The privilege of using Federal Housing Administration debentures in payment of insurance premiums should be continued without change. (Appendix 1, Recommendation 24.)

8. Title I, Section 8 of the National Housing Act should be repealed and a similar program should be set up in Section 203. The maximum insurable mortgage should be increased from \$5,700 to \$6,000. In addition, the Federal Housing Commissioner should be authorized to permit a service charge on such loans. (Appendix 1, Recommendations 4 and 8.)

9. The Federal Housing Administration should be provided with a single, revolving insurance authorization to cover all mortgage insurance operations. During any fiscal year the total authorization should not exceed the sum of outstanding balances of insured mortgages in force and outstanding commitments as of the beginning of the fiscal year plus \$3 billion. (Appendix 1, Recommendation 26.)

10. The group accounts now maintained under the mutual mortgage insurance system under Section 203 of the National Housing Act should be merged into a single insurance fund. (Appendix 1, Recommendation 12.)

11. An objective and independent long range study of prospective foreclosure and loss experience of the Federal Housing Administration's insurance programs should be made. (Appendix 4, Recommendation 4; Appendix 1, page 40.)

12. An objective and independent long range study of probable losses on Veterans Administration guaranteed loans should be made. (Appendix 1, Recommendation 32; and Appendix 4, Recommendation 5.)

13. The Federal Housing Administration and the Veterans Administration should consider providing special assistance to mortgagees in small communities in the preparation of applications for the insurance or guaranty of loans. (Appendix 1, Recommendation 30.)

14. The Veterans Administration should seek advice of lending institutions in revising and simplifying its regulations, and committees of lenders should be formed to place applications for Veterans Administration direct loans with private lenders wherever practicable. (Appendix 4, Recommendation 3.)

15. Congress and the Appropriations Committees should be urged to return to the principles of Public Law 387, 81st Congress, or to



develop another formula designed to achieve the objective of flexibility in the operating expense budget of the Federal Housing Administration. The Federal Housing Administration would be able to operate much more efficiently if the annual amounts it was authorized to spend for administrative expenses were based on a percentage of income rather than a fixed dollar ceiling. (Appendix 1, Recommendation 27.)

16. The Federal Housing Administration insurance contracts should be standardized to provide for an allowance to the mortgagee of \$75 or two-thirds of actual approved foreclosure costs, whichever is the greater. (Appendix 1, Recommendation 22.)

17. The Committee recommends against the adoption of a mandatory builder's warranty in connection with Government-insured or guaranteed home mortgage financing. This conclusion was reached after thorough review of the present positive procedures of the Federal Housing Administration and the Veterans Administration which, in the opinion of the Committee, are now effectively handling justified complaints of homeowners who have acquired defective housing. The Committee believes that the objective of the mandatory builder's warranty, with which it is in full accord, can be better attained under the present administrative procedures of the two agencies rather than through a mandatory requirement. A minority of the Committee disagreed with this conclusion. (Appendix 1, Recommendation 29.)

18. The Treasury Department and the appropriate Congressional Committees should be requested to study whether there are tax inequities which deter private investment in rental housing, and, based on such findings, appropriate action should be taken. The Committee is impressed with the need for such an inquiry. However, since the Committee had neither the time nor the competence to carry out a study of this kind, it recommends that it be undertaken by the Treasury Department. (Appendix 2, Recommendation 17.)

19. A close relationship should be established between housing and defense officials and when defense criteria affecting urban vulnerability are established, studies should be made of all housing programs to insure conformance. Additional legislation should be proposed if necessary. (Appendix 2, Recommendation 18.)

#### V. Recommendations Designed To Facilitate the Free Operation of the Mortgage Market and To Make Savings Available for Home Financing in All Parts of the Country and for All Types of Housing

1. Legislation should be enacted to create a secondary mortgage market facility to be known as the National Mortgage Marketing Corporation. The Committee recommends that such a corporation be federally chartered, with its initial stock of \$50 million to be subscribed by lenders eligible to use its facilities. At the end of 90



days the Federal Home Loan Banks will subscribe an amount necessary to achieve an aggregate subscription of \$50 million. The initial stock would be retired from earnings and the sale of stock to participating institutions. The Corporation would be authorized to issue debentures on the private market and without a governmental guaranty up to 12 times the amount of its stock and surplus but in no event in an amount exceeding the unpaid balance of FHA-insured and VA-guaranteed mortgages which it holds. It is expected that the Corporation would purchase and sell only those mortgages for which a normal market exists. Institutions selling mortgages to the Corporation would be required to maintain at all times stock of not more than 4 percent of the unpaid balance of their mortgages held by the Corporation. It is believed that a corporation of this type can be successfully established without Government funds and Government guaranties, that it can successfully raise its own funds in the private market, and that it can fulfill an unmet need by facilitating the flow of long-term savings into sound programs and areas of the country where such investment funds are not available in adequate supply. It is further recommended that the Home Loan Bank Board be abolished and that a broadly representative five-man board be created to supervise the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the National Mortgage Marketing Corporation. (Appendix 4, Recommendation 2.)

A substantial minority of the Committee has disagreed with certain aspects of the National Mortgage Marketing Corporation as recommended by the majority. Those who differ with the proposal believe that the Treasury should have authority to guarantee limited amounts of the debentures of the Corporation, as necessary, to enable the Corporation to support the proposed new programs for insurance of mortgages in urban renewal areas and for the insurance of long term, small down payment loans to low-income families. They believe, also, that the Corporation should not be capitalized with funds subscribed by the Federal Home Loan Banks but rather by the temporary utilization of funds to be transferred from the Federal National Mortgage Association and thereafter retired from the proceeds of stock subscription purchased by participating institutions. In addition, the Corporation should be authorized to make loans on the security of insured and guaranteed mortgages. Although the majority report did not prohibit the granting of advance commitments by the Corporation, the minority desired to have this authority made explicit. The minority also believed that the minimum stock investment of financial institutions selling mortgages to the Corporation should be 2 percent of the unpaid balances of mortgages held by the Corporation rather than the 4 percent figure contemplated by the majority. The minor-



ity, moreover, did not believe that the new National Mortgage Marketing Corporation should be administered by the same board which would also be in charge of supervising the Federal Home Loan Bank System. (Attachment to Appendix 4.)

2. Legislation should be enacted to create a Committee of informed Government officials to review and set from time to time the ceiling interest rate on FHA-insured and VA-guaranteed mortgage loans. This Committee would also be responsible for establishing the permissible charges which may be made for the expense of originating FHA-insured and VA-guaranteed mortgages and the rate of interest on debentures issued by the FHA in settlement of foreclosure claims. The interest rate on the debentures would be set at the time the mortgage is insured and at a rate not higher than the current average yield on all outstanding marketable obligations of the United States Government having a remaining maturity of 15 years or more. The established ceiling interest rates on FHA-insured and VA-guaranteed loans, referred to above, should not exceed by more than 2½ percentage points the current average yield on obligations of the United States Government having a remaining maturity of 15 years or more. (Appendix 4, Recommendation 1.)

3. The regulations of the Federal Housing Administration and the Veterans Administration should be amended to permit and encourage lenders to participate in the origination and purchase of individual mortgages. Appropriate amendments should also be made to Federal and State laws to permit purchase of such participations by financial institutions. If these changes are made there will be a considerable increase in the flow of mortgage funds to small communities where it is now difficult to sell mortgages to large investment institutions. (Appendix 4, Recommendation 6; Appendix 1, page 62.)

4. The Federal Housing Commissioner should be authorized to permit a service charge to compensate lenders for the additional cost of making and servicing loans in small communities. This recommendation is designed to facilitate the flow of mortgage funds to small communities. (Appendix 1, Recommendation 9.)

5. The Housing and Home Finance Administrator should study proposals for the establishment of a cooperative housing mortgage corporation to assist in the production and financing of cooperative housing projects. (Appendix 1, page 42.)

## VI. Recommendations Designed to Provide Housing for Low-Income Families

1. For an experimental period of 2 years the Federal Housing Administration should be authorized to insure 40-year, 100-percent loans up to \$7,600 per dwelling unit or up to \$8,600 per dwelling unit



in high-cost areas as determined by the Federal Housing Commissioner. This special mortgage insurance program, proposed as a new Section 221 of the National Housing Act, is designed to meet the housing requirements of low-income families as determined by the Federal Housing Commissioner. Purchasers under this program should be required to make a minimum cash payment of \$200 including amounts to cover settlement costs and initial payments for taxes, hazard insurance, and similar prepaid expenses. The Federal Housing Administration should be authorized to issue commitments to builders, or owners of rental houses, up to 85 percent of value with provision for the conversion of the temporary loan into a permanent loan up to 100 percent of value upon sale to qualified owner-occupant purchasers. It is expected that with this authority it will be possible for sponsors to construct, purchase, or rehabilitate modest houses of the type contemplated in this recommendation, to be rented under a lease-purchase contract to low-income families who are not able to qualify under Federal Housing Administration credit standards. Such families should be given an opportunity to purchase their homes when their incomes increase sufficiently to enable them to meet normal credit standards. In the administration of this program, preference should be given to extending these liberal terms to families displaced by public housing, urban renewal, or various demolition programs. A separate insurance fund should be established for the protection of mortgages insured under Section 221 with a proviso that there may be no transfer of assets between this fund and other FHA mortgage insurance funds. (Appendix 1, Recommendation 17.)

A substantial minority on the Committee disagreed with certain aspects of the proposed program of home ownership under the new Section 221. Some members disagreed with such an extension of insured mortgage lending. Members of the Subcommittee on Housing for Low-Income Families differed with the recommendation and would have preferred to see the Federal Housing Administration authorized to insure mortgages up to 95 percent of value and for a term up to 40 years without limitation as to economic status of borrower and with a requirement for monthly maintenance payments equivalent to 10 percent of debt service to be held in trust by the mortgagee. They also suggested that in the operation of such a program the estimated total annual housing expense to the home purchaser (as defined by the Federal Housing Administration) should not exceed 20 percent of the mortgagor's annual income (as defined by the Federal Housing Administration). They recommended that in event of default Federal Housing Administration debentures should be for the same term as the unexpired term of the mortgage and should bear interest at the time of issuance at a rate equivalent to the current



rate on Government bonds. It was further suggested that the Federal National Mortgage Association or some similar Government-sponsored corporation be placed in readiness to purchase mortgages, within appropriate limits, for the purpose of inaugurating and testing such a program. (Appendix 3, Recommendation 2.)

The Subcommittee on FHA and VA Housing Programs and Operations originally recommended that loans insured under Section 221 could, at the option of the mortgagee, be assigned to the Federal Housing Administration at the end of 20 years in exchange for debentures equivalent in amount to the scheduled outstanding principal balance. They proposed that these debentures, as well as those issued in event of default, should bear an interest rate determined at time of issuance equivalent to the current yield of Government bonds of comparable term and that lenders should be covered completely against any loss by reason of foreclosure expenses. These recommendations were not accepted by the Advisory Committee. (Appendix 1, Exhibit 15.)

2. To meet the continuing housing needs of low-income families, and pending demonstrated progress of other programs recommended by the Committee designed to stimulate through Federal Housing Administration mortgage insurance the private production of housing for low-income families and the rehabilitation of obsolete structures in decaying neighborhoods, the Committee recommends a continuation of the public housing program as contained in the Housing Act of 1949, with certain amendments summarized below. The Committee believes that determinations as to the size of the program and the method of financing it are responsibilities of the Administration and the Congress. The Committee is unanimous in its belief in the objective of a more effective operation of the private housing market so as to steadily lessen the need for direct subsidies. (Appendix 3, Recommendation 3; Attachment to Appendix 3.)

3. The Housing Act of 1949 should be amended to provide that the presently authorized payments in lieu of taxes, by local housing authorities to local governments, up to 10 percent of shelter rents be made mandatory. Provision should further be made by statute that the local contribution to the operation of public housing projects through the method of tax exemption should equal at least 20 percent of the Federal contribution. The Committee also recommends that where state law permits, and the localities so desire, public housing for low-income families may be subject to full taxation provided the locality agrees to pay in cash the difference between full taxation and 10 percent of the shelter rents so long as there is a Federal annual contribution. Where the local contribution is made through tax exemption the amount of full taxes that would have been charged if the housing were privately owned and the payment in lieu of taxes received



should be made matters of public record. Lastly, where local contributions are made in the form of either tax exemption or cash, estimates of such amounts should be made a matter of public record prior to the conclusion of a contract between the Federal Government and a local housing authority for annual Federal contributions. (Appendix 3, Recommendation 7; Attachment to Appendix 3.)

4. Preference for occupancy in public housing among eligible families is now given to families of veterans and families displaced by slum clearance. This preference should be extended also to eligible families displaced by other public improvements. (Appendix 3 Recommendation 6.)

5. Wherever feasible, public housing should be built at lower densities, and the design of public housing projects should conform more closely to local dwelling patterns and construction practices. This recommendation is designed to avoid the institutionalized character of public housing and to facilitate the sale of public housing when no longer needed for low-income families. (Appendix 3, Recommendations 9 and 11.)

6. After the capital cost of a public housing project has been amortized, net revenues from operation or proceeds from sale should be returned to the Federal Government and to the local community in proportion to their respective contributions. (Appendix 3, Recommendation 4.)

7. Where feasible, existing sound structures, rehabilitated if necessary, should be used for public housing. (Appendix 3, Recommendation 8; Appendix 2, Recommendation 15.)

8. More attention should be paid in public housing to the problems of the aged, both in the design and size of dwellings. (Appendix 3 Recommendation 12.)

## VII. Recommendations Designed To Improve the Organization of Federal Housing Activities

1. There should continue to be a single housing agency headed by an Administrator appointed by the President by and with the advice and consent of the Senate. The Administrator should be relieved of the miscellaneous operating responsibilities now assigned to his immediate office. A reassignment of these functions is proposed in Recommendation Number 3 below. The Administrator should, of course, be provided with necessary staff assistance which should include the new position of labor relations adviser. The Administrator should be given clear authority to supervise and direct, if necessary, the activities of constituent agencies where any matter of basic policy is involved. The Committee is convinced that, although the heads of constituent agencies should be fully responsible for the day-to-day operations of the



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programs of their agencies, the Administrator must have clear and unmistakable authority to supervise constituent operations for and on behalf of the President. (Appendix 5.)

2. The major housing activities of the Federal Government should be consolidated into the following five constituents: (Appendix 5.)

*a.* The Federal Housing Administration.  
*b.* The Public Housing Administration.  
*c.* The Urban Renewal Administration, incorporating the functions of the present Division of Slum Clearance and Urban Redevelopment and some of the functions of the present Division of Community Facilities and Special Operations. Both of these Divisions are now located in the Office of the Administrator.

*d.* A Federal Home Loan Board responsible for the administration of the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the National Mortgage Marketing Corporation.

*e.* A new Housing Management and Disposition Administration responsible for the management and disposition of Lanham housing, temporary defense housing constructed under Public Law 139, 82d Congress, loans to the manufacturers of prefabricated housing, Alaska housing loans, and acquired property resulting from the activities of the Federal Housing Administration and the National Mortgage Marketing Corporation.

3. Miscellaneous activities and authorities now in the Administrator's office should be reassigned as follows:

*a.* Slum clearance and urban redevelopment: This program, amended to transform and extend it into a broad program of urban renewal, should become the nucleus of a new constituent known as the Urban Renewal Administration. Staff of the Division of Community Facilities and Special Operations not otherwise transferred (see below) should be assigned to this constituent. (Appendix 5.)

*b.* Housing research. This program is now in liquidation and it is not recommended that it be reinstated on the former basis. At the same time, there is a need for better current statistical data on the volume and types of residential construction, mortgage financing trends, etc. Better data of these types should be obtained through the Bureau of the Census and other data collection facilities in the Department of Commerce and the Bureau of Labor Statistics, which agencies have the facilities for collecting such information on a completely objective basis. (Appendix 5.)

*c.* Community facilities and special operations. This organizational unit now includes a number of miscellaneous programs. The following disposition of these activities is recommended (Appendix 5):

(1) Maintenance and disposition of defense public works. This



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activity represents the windup of the Lanham Act public works provided in World War II. The remaining workload is small, and should be liquidated as rapidly as possible by staff transferred to the Housing Management and Disposition Administration.

(2) Advance planning of non-Federal public works. This activity is also in liquidation and should be expedited to conclusion by the new Urban Renewal Administration.

(3) Defense community facilities and services. This is an emergency activity under Public Law 139, 82d Congress. The Committee is not impressed with the need for continuing this legislation. It should be allowed to expire on June 30, 1954. Staff transferred to the Urban Renewal Administration should wind up any remaining projects as rapidly as possible.

(4) Alaska housing program. The Committee is of the opinion that the need for this program has passed. Any cases in process should be delegated to the Housing Management and Disposition Administration or to the Federal Housing Administration for handling, and no new business should be accepted.

(5) Prefabricated housing loans. This program has properly been placed in liquidation. The servicing and disposition of outstanding loans should be assigned to the Housing Management and Disposition Administration.

(6) College housing program. It is the conclusion of the Committee that this is not properly a housing activity. It should be transferred to the Office of Education, Department of Health, Education and Welfare.

(7) School construction program. It is the conclusion of the Committee that this is not a proper activity of a housing agency. It should be assigned to the Office of Education, Department of Health, Education and Welfare.

*d.* Disposition of Lanham Housing. Although responsibility for this function vests in the Housing and Home Finance Administrator, actual operations have been delegated to the Public Housing Administration. It is the opinion of the Committee that it is a mistake to merge a program of housing disposition with a program of low-rent housing. This activity should be transferred to the new Housing Management and Disposition Administration. (Appendix 5.)

*e.* Programing of Defense Housing. It is the opinion of the Committee that this activity should be abandoned. An extension of Public Law 139, 82d Congress, is not recommended. Any activity necessary to the termination of this function should be delegated to the Federal Housing Administration. (Appendix 5.)

*f.* Federal National Mortgage Association. The purchasing authority of the Federal National Mortgage Association should be



terminated and the Association should be transferred to the new National Mortgage Marketing Corporation which should act as a liquidating agent to dispose of the Association's portfolio of mortgages in an orderly manner. (Appendix 5; Appendix 4, Recommendation 2.)

g. International Housing Activities should be transferred to the Foreign Operations Administration. (Appendix 5.)

4. In place of the National Housing Council, the Administrator of the reorganized housing agency should be provided with a statutory Advisory Board composed of the heads of the five constituents above described and a representative of the Administrator of Veterans' Affairs. The Administrator should be required to review with this Board all current major policy matters with a view toward arriving at the best possible coordinated decisions. It should be made clear, however, that in the event the Advisory Board is unable to reach a conclusion on particular policy questions or if the Administrator is unable to accept the conclusions of the Advisory Board that his own decision can be independently made and enforced. (Appendix 5.)

5. The Administrator of the Housing and Home Finance Agency, the Administrator of Veterans' Affairs, and the Commissioner of the Federal Housing Administration should be requested to work out an interagency agreement under which the Veterans Administration would contract for the Federal Housing Administration to perform the technical functions of processing veterans' home loan applications under the present home loan guaranty program. This recommendation is designed to achieve economy and efficiency by having one agency of the Federal Government, instead of two, charged with the administration of the technical functions of market analysis, land planning requirements, valuation and appraisal, minimum property and construction standards, and property inspection. To have such processing functions done by one agency should serve to eliminate the added costs of dealing with two agencies and in the long run to make more homes available to veterans at lower costs. Under this recommendation, the Veterans Administration would retain the basic responsibility for fulfillment of the preferential treatment provided for veterans under the terms of the Servicemen's Readjustment Act, while at the same time eliminating the duplication and overlapping of technical functions presently performed by the Federal Housing Administration for the mortgage insurance program and by the Veterans Administration for the home loan guaranty program. (Appendix 1, Recommendation 33.)

6. The Urban Renewal Administration should be charged with the responsibility of advising the Administrator concerning the programs developed by the communities to comply with requirements that a workable program to attack the problem of urban decay has been sub-



mitted. Based on such findings, it will become the responsibility of the Administrator to certify to the Federal Housing Administration, the Public Housing Administration, and the Urban Renewal Administration those communities which are eligible for the types of Federal assistance which are conditioned upon such a certification. (Appendix 2, Recommendation 9.)

#### VIII. Termination or Modification of Statutory Authorities

1. Title VI of the National Housing Act should be repealed (with authority to insure mortgages for disposition of Government-owned housing and certain other routine and technical authorities being added to title II). Appendix 1, Recommendations 11 and 18.)

2. Title VII of the National Housing Act should be repealed. (Appendix 1, Recommendation 19.)

3. Title IX of the National Housing Act should be repealed. (Appendix 1, Recommendation 21.)

4. The farm loan provisions of Section 203 (d) of the National Housing Act should be repealed. It is the opinion of the Committee that farm housing cannot be separated from farm management and operation. The Committee, therefore, concluded that questions relating to farm housing programs should be left for recommendation by the Department of Agriculture. (Appendix 1, Recommendation 10.)

5. The authority for loans and grants for defense community facilities under Title II of Public Law 139, 82d Congress, should not be extended beyond its present expiration date. (Appendix 1, Recommendation 31.)

6. Title VIII of the National Housing Act should be extended on a standby basis but not be used except upon the basis of firm estimates of need by the Department of Defense. (Appendix 1, Recommendation 20.)







## PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

NOVEMBER 30, 1953.

Honorable ALBERT M. COLE,

*Chairman, President's Advisory Committee on Government  
Housing Policies and Programs, Washington 25, D. C.*

DEAR SIR: The Subcommittee on Federal Housing Administration and Veterans Administration Housing Programs and Operations submits herewith its final report for presentation to the President's Advisory Committee on Government Housing Policies and Programs.

Respectfully,

RODNEY M. LOCKWOOD, *Chairman*

WILLIAM A. MARCUS

ROBERT M. MORGAN

THOMAS W. MOSES

JOHN J. SCULLY



## REPORT OF THE SUBCOMMITTEE ON FHA AND VA HOUSING PROGRAMS AND OPERATIONS

Your Subcommittee has met in Washington, D. C., for five series of meetings covering the following dates: September 30, October 1, 15, 16, 17, 23, 24, 25, 30; and November 1, 2, 29, 30. These sessions were devoted first to a determination of the subjects that properly came within the jurisdiction of the Subcommittee for investigation and recommendation. We sought to bring before the Subcommittee those individuals and representatives of Federal agencies and private organizations best qualified to advise on the matters under consideration. There is attached as exhibit 1 a list of persons who have appeared before the Subcommittee.

Our task was approached with the objective of developing a well-rounded program for FHA and VA to administer in the best interests of the home owner, the home builder, the home mortgage lender and the national economy. The recommendations contained in this report have been developed with this objective in mind.

### The FHA Systems of Mortgage and Loan Insurance

The Subcommittee recommends that the Federal Housing Administration programs of insurance for home mortgages, rental and cooperative project mortgages, and property improvement loans be continued. There is overwhelming evidence that the continuation of these programs is desirable and serves the general welfare of the Nation.

Exhibit 2 indicates for each insurance program the annual volume of insurance written since inauguration of the program along with the status of the insurance as of June 30, 1953.

The recommendations of your Subcommittee, as discussed in detail below, are designed to strengthen and expand the existing programs of mortgage insurance. They are designed to provide for the more complete accomplishment of the basic purposes of the National Housing Act, to stimulate home ownership and to encourage mortgage money to come into the market to meet the home financing needs of the American people.

The recommendations of your Subcommittee, if adopted, will achieve important consolidations of various existing FHA programs. They are designed also to correct the unnecessary multiplication of special purpose programs while at the same time increasing the effec-



tiveness and efficiency of the programs which are retained. Finally, they are designed to simplify administration.

Two principal new programs of mortgage insurance are provided for in our recommendations for (1) an effective attack on urban blight and slums through a major rehabilitation and redevelopment program directed by local communities and financed with private funds and (2) a new approach to provision of new or existing housing for home ownership by families of low income, especially families requiring rehousing from substandard accommodations or overcrowded rehabilitation areas.

Your Subcommittee has reviewed the reserve position of the FHA and has been advised that the conduct of these FHA insurance programs can be accomplished on a self-sustaining basis without expense to the Treasury. Within the limits permitted by past legislation, the agency has made maximum provision for avoiding any burden on the Treasury. However, important changes in the mutual mortgage insurance system of Section 203 are recommended below in order to remedy basic inadequacies of the original legislation. These changes will increase the soundness of the system as a whole by increasing the accumulation of reserves for future losses, provide greater equity among various classes of mortgagors in the distribution of participation dividends, and reduce the administrative and operating costs of the program.

Detailed recommendations on individual FHA programs follow.

### TITLE I

Your Subcommittee has examined the operations of the Federal Housing Administration under Title I of the National Housing Act under which loans for the modernization and repair of existing structures are insured. The Subcommittee directed its attention to three aspects of the Title I operation: (1) the adequacy of the dollar limitations and terms permitted; (2) the need for a regulatory procedure to control abuses; (3) the role that the Title I program might play in the program of rehabilitation and conservation.

#### *Recommendation No. 1:*

Title I of the National Housing Act should be amended to permit the insurance of Class 1 (a) loans to finance the modernization and repair of existing structures up to a maximum amount of \$3,000 and up to a maximum term of 5 years and 32 days.

The present statutory limitation of \$2,500 is not sufficient in terms of today's prices to finance many home modernization operations, while the present 3-year maximum term requires a debt service on larger loans that is beyond the ability of many families to carry.



The Subcommittee recognizes that many loans of this character are for small amounts and it is expected that the FHA Commissioner would establish shorter maximum terms with respect to loans of smaller amounts. The Commissioner should also exercise discretion in providing for a lower dollar discount rate on larger loans and on longer term loans. Thus, within the proposed statutory limitations, the Title I authority could be applied with greater flexibility to assist in the modernization and repair of single-family residential structures.

*Recommendation No. 2:*

With respect to Class 1 (b) loans for the modernization, repair or conversion of residential structures designed for the use of two to four families, your Subcommittee recommends that the present \$10,000 loan limit be retained but that the permissible term of the loan be extended up to a maximum of 10 years. The application of the maximum term should, at the discretion of the Commissioner, be related to the size of the loan.

For the rehabilitation of larger properties designed to accommodate more than four dwelling units, your Subcommittee recommends that insurance of loans be authorized up to a maximum of \$10,000 per structure or \$1,500 per unit, whichever is greater, and for a maximum term of 10 years.

In making this recommendation, your Subcommittee recognizes that loans in the \$10,000 range should normally require first mortgage security. The proposal of the Subcommittee for enactment of a new Section 220 is designed to handle the bulk of this type of rehabilitation financing. The Subcommittee recognizes, however, that there are many instances where first mortgage financing is impossible and where, therefore, there is a need for a different type of assistance to meet the particular rehabilitation needs of certain structures. In these instances, the FHA Commissioner should have the discretionary authority to apply the higher limits proposed herein.

In the application of this authority, the Commissioner should require prior credit approval and as a part of the underwriting process a determination should be reached that the multifamily structure following rehabilitation will be on an appropriate income-producing basis. The Commissioner should also have the authority to require such additional security as may be warranted or possible in view of the individual circumstances involved.



*Recommendation No. 3:*

Your Subcommittee recommends that FHA should utilize every available administrative control to assure that homeowners are protected against possible losses as a result of the activities of irresponsible parties utilizing the Title I program

Your Subcommittee has discussed reports which have come to its attention concerning abuses in the Title I operation. The bulk of the criticism relates to the activities of the so-called "dynamiters" or racketeers who sell products or services to a homeowner and arrange for his Title I credit with a financial institution. At the present time, the FHA polices lenders only when there is a complaint of fraud.

The Subcommittee has considered the desirability of requiring lenders to make an inspection in connection with Title I loans. This proposal has been explored with representatives of financial institutions and with the administrative personnel of FHA. In the judgment of the Subcommittee, a mandatory inspection requirement would be unworkable and would serve only to curtail drastically the scope of the Title I program. There is no doubt in our minds that lenders have a responsibility and that they should make every endeavor to police their Title I operations more carefully than they have in the past.

The FHA has recently issued new regulations which provide for screening of dealers and for tightening the procedures in those cases where the homeowner is not dealing directly with the financial institution. There is attached as Exhibit 3 a description of the scope of these regulations. It is the judgment of your Subcommittee that these new regulations will correct the abuses and that no further requirement should be imposed in this area at this time.

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Your Subcommittee has been advised that the present revolving insurance authorization for Title I loans—which amounts to \$1,750 million—is probably adequate for operations until the present expiration date of the program on June 30, 1955. It is our judgment that this program should at that time be put on a permanent basis to avoid the necessity of constant requests of the Congress for additional extensions. The need for an increase in insurance authorization beyond the present \$1,750 million limitation for the purpose of establishing an adequate permanent revolving authorization can be better determined at that time.



*Recommendation No. 4:*

Your Subcommittee recommends that Title I, Section 8, be repealed and that provision be made for a similar program of low-cost housing construction as an integral part of Section 203 of the National Housing Act.

This proposal is described in more detail below in connection with Recommendation No. 8.

## TITLE II

Comprehensive amendment of Title II is recommended to cover into the Title all of the continuing mortgage insurance programs administered by FHA; to provide for two new sections: (1) a program of neighborhood conservation and rehabilitation in a new Section 220 and (2) a program of housing for families requiring relocation and for low-income families in a new Section 221; and to strengthen materially the mutual system of insurance provided for home mortgages. The long-term program formerly provided by Section 8 of Title I is recommended to be incorporated into this Title, as are also the residual activities of the emergency programs formerly provided for in Title VI and Title IX.

The objective of the Subcommittee has been to consolidate the many programs of the National Housing Act into a number of cohesive sections, each designed to stimulate and assist the acquisition, financing, and production of housing. The Subcommittee also recommends simplification of the programs by eliminating from the statute references to rigid standards in instances in which underwriting or regulatory controls would be better by permitting the FHA Commissioner wider discretion in adjusting standards to changing program requirements.

## SECTION 203

*Recommendation No. 5:*

Your Subcommittee recommends that Section 203 mortgage insurance be made available on the same maximum terms and in the same maximum amounts for both new and existing home financing.

Home purchasers should have equal access to the facilities of the program in acquiring either new or existing properties. Availability of improved terms for financing existing homes would be of help especially to families of moderate and lower incomes and to families of minority groups in becoming homeowners, acquiring homes of improved quality, and raising their standards of living.

The opportunities for wider use of FHA-insured mortgages in financing purchases of existing homes are emphasized by the fact that



fewer than 10 percent of existing home purchases in recent years have involved new FHA mortgages. Compared with average existing home purchases of 1,400,000 units annually, as estimated by the Federal Reserve Board in its annual survey of consumer finances from 1948 to 1953, the average annual volume of FHA existing home transactions has been only 110,000 units over the same period.

Reconditioning and modernization of existing structures would be stimulated and assisted by improved terms for mortgage insurance on existing homes.

Improved financing facilities for existing homes, particularly if utilized energetically in a development of the trade-in house operation, would help to maintain the flow of new housing into the inventory in the same fashion that the used car market with ample financing assists the production and marketing of new automobiles.

Underwriting processes and valuations can be relied upon to make any reductions in mortgage terms, either in duration or loan limits, which may be appropriate for individual existing homes in which either prospective economic life or long-term value is impaired, as compared with new construction. FHA administrative rules can also be relied upon to assure that improved terms for existing homes do not result in circumvention of FHA programs for improving housing standards through submission of new homes for mortgage insurance after construction without the benefit of FHA review of land planning, home plans and specifications, or FHA architectural inspections during construction.

***Recommendation No. 6:***

Your Subcommittee recommends that the scale of insured mortgage loan ratios be revised to provide for insurance of not in excess of 95 percent of the first \$8,000 of value and 75 percent of the excess. The maximum insurable mortgage should be \$20,000 for 1- and 2-family houses, \$27,500 for 3-family dwellings and \$35,000 for 4-family structures.

Your Subcommittee recommends that the FHA Commissioner be authorized to establish by administrative action appropriate lower limits for firm commitments to builder and other non-owner-occupant mortgagors to replace the present rigid limits provided in the National Housing Act.

Exhibit 4 shows the proposed schedule of maximum mortgage amounts and minimum down payments by \$1,000 intervals of valuation.



For single-family homes, this revision of mortgage loan limits would provide a single schedule of maximum mortgage amounts. It would replace the multiplicity of alternatives in the existing statute under the various subsections of Section 203, which is set forth in Exhibit 5. Both mortgagors and mortgagees as well as FHA administration would be benefited by this simplification.

Providing a regularly declining ratio of maximum loan-value ratios as valuations rise will restore to the range of homes available to moderate income families, especially valuations from \$10,000 to \$16,000, approximately the scales of loan-value ratios which existed for this quality of home prior to World War II when comparable homes ranged from perhaps \$5,000 to \$8,000 in value. Such maximum loans will contribute materially to the production of higher quality homes for these moderate income families with sound financing properly related to their continuing ability to pay.

With respect to 2-, 3-, and 4-family structures, the increased mortgage loans limits would encourage production with economically sound financing of a larger number of smaller rental projects. Such housing can be expected to aid materially in a solution of the housing problems of minority group families.

The increase in maximum insurable mortgage amount for one-family homes from the \$16,000 ceiling established in 1934 is recommended in recognition of the fact that the home mortgage financing activities of typical lending institutions now range upward to at least this amount of mortgage. The Subcommittee has considered and rejected a proposal that maximum insurable loans be restricted to \$12,000 (approximately \$15,000 valuation). As a self-supporting insurance operation, the benefits of FHA insurance should be available to all families who desire to use the system, without regard to their income. Furthermore, a wider range of activity for such an insurance system increases opportunities to distribute risk and thus improves the stability of the system.

It is expected that FHA underwriting and administrative standards would be established within the maximum limits of this recommendation so that operative builder mortgagors and other non-owner-occupant mortgagors for single-family homes could obtain appropriately reduced maximum mortgage limits, perhaps 90 percent of the mortgage amounts for which owner-occupants would be eligible. This procedure will eliminate from the statute present rigid limits for builder firm commitments.



*Recommendation No. 7:*

Your Subcommittee recommends that the maximum term for all home mortgage loans insured under Section 203 be established at 30 years.

The present statute has three different limitations: (1) 30 years for all mortgages on new construction for which 95 percent loan-value ratios are permitted; (2) 25 years for mortgages on all other new or existing homes which were approved for insurance prior to construction; and (3) 20 years for all other mortgages. Your Subcommittee's recommendation is advanced not only to promote our objective of simplification of the National Housing Act, but also to provide an additional element of flexibility in the insured home-mortgage loan program.

Your Subcommittee is of the opinion that the maximum 30-year term together with the liberalized down-payment scale we have recommended should be applied, at the discretion of the **FHA** Commissioner, to extend the benefits of the insurance system as widely as possible among the families of the Nation.

It is assumed that underwriting standards will prevent the terms of individual loans from being excessive in relation to the physical or economic life of properties securing the mortgages. It is also assumed that the **FHA** Commissioner would establish within the 30-year maximum such shorter term limits as may be justified by conditions in the national economy during particular periods, or with respect to particular classes of properties or mortgages.

The three preceding recommendations, numbered 5, 6, and 7, taken together should make it possible, at the discretion of the **FHA** Commissioner, to provide the essential benefits of the special provisions of present Section 203 (b) (2) (D) relating to number of bedrooms and areas of high construction cost. These same benefits are, under these recommendations, made available also to other types of situations where valuations of properties justify the maximum mortgage amounts. On the other hand, underwriting standards and valuation determinations will, as a rule, provide sufficient modification of the maximum possible terms to assure economically sound mortgage insurance. When unusual circumstances require nationwide restraint on certain classes of transactions, either because of economic conditions or other national considerations, the **FHA** Commissioner has ample authority within the maximum limitations to impose more restrictive terms for some or all types of transactions.



*Recommendation No. 8:*

Your Subcommittee recommends that the present Title I, Section 8, program for insurance of mortgages on low-cost homes be made a part of the Section 203 program. For this purpose, it is recommended that for mortgages insured under Section 203 in amounts of \$6,000 or less the FHA Commissioner be authorized to permit a service charge where necessary to compensate for the additional costs of making and servicing small loans.

It is the opinion of the Subcommittee that this recommendation would go a long way toward filling a gap in the housing needs of a large segment of the population. Builders and lenders have long recognized the need for increased production of small homes, but lack of adequate financing has proved to be an effective bar. We believe that the permissive service charge will attract mortgage funds into this low-priced field and that with financing available, builders will undertake to produce the houses.

In making this recommendation, it is anticipated that the FHA Commissioner will, in connection with loans on small homes of this type, establish appropriate minimum property and construction standards. Such standards should take into account the size of these homes, their location, and the ability to pay of families of lower income. In some cases, it is unnecessary to require finished streets, or sidewalks, curbs, and gutters; some items may be left unfinished for owner-occupants to complete. But in all cases, these simplified requirements should be applied with due regard for structural durability, economic soundness, and marketability—just as much as for all other properties with mortgages insured under Section 203.

Exhibit 2 shows the limited volume of activity under the present Title I, Section 8 program. It emphasizes the need for private mortgage funds to assist in financing the small, low-cost house.

By making mortgage money more readily available for this type of construction, the recommended expansion of Section 203 activity would materially increase the opportunities to provide new, low-cost homes in rural nonfarm areas, in smaller communities, and in outlying portions of metropolitan areas. It could be expected to aid especially in assisting minority group families to obtain adequate housing.

The growing capacity and efficiency of the prefabricated home industry will by this means be more effectively directed to the solution of housing problems in the smaller communities.

Transfer of the present Title I, Section 8 program to Section 203 is recommended in furtherance of the objective of the Subcommittee for simplification of the National Housing Act. It is our opinion that the Title I program should be restricted to loans for modernization and



repair with the special type of insurance that is provided. The Section 8 program is a mortgage insurance program for small homes, and properly belongs with the other mortgage insurance provisions of Section 203.

The mortgage loan limit of \$5,700 in the Title I, Section 8 program is adjusted to the round figure of \$6,000 by the present recommendation because, as a part of the entire Section 203 program, the 6,000 valuation loses its significance as an upper benchmark for the Section 8 program.

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*Recommendation No. 9:*

Your Subcommittee recommends that the FHA Commissioner be authorized to permit a service charge to compensate lenders for the additional costs of making and servicing mortgage loans in small communities.

It has been suggested that this recommendation should apply to all mortgages insured under Section 203 in counties outside Census Bureau defined standard metropolitan areas and in which the largest community has a population of 10,000 or less, as determined by the most recent United States census of population.

While the Subcommittee is of the opinion that this definition would serve to assist financing in those areas where the need is greatest, we can see that the imposition of a strictly defined limitation might make the proposal unworkable administratively. Accordingly, it is our judgment that the application of this authority should be at the discretion of the FHA Commissioner.

The Subcommittee has been impressed with the need for greater availability of mortgage financing in smaller communities. Many proposals have been considered by the Subcommittee, and the above recommendation is made as the one believed to be most effective in providing immediate and continuing benefits. This service charge should increase substantially the availability of FHA-insured mortgage financing in smaller communities and thus aid in extending home ownership and raising housing standards and conditions in rural nonfarm and smaller urban communities.

An additional proposal for making FHA and VA programs increasingly available in smaller communities and rural nonfarm areas is discussed below in connection with recommendation No. 30.

Exhibit 6 indicates that in the period since 1935, only 5.2 percent of FHA home mortgage activity has been reported from the 547 counties meeting these standards although 17.8 percent of the Nation's nonfarm housing inventory is located in these counties.



## SECTION 203 (d)

Section 203 (d) of the National Housing Act authorizes the FHA Commissioner to insure loans to finance farm mortgage debt if as much as 15 percent of the loan proceeds are to be expended on construction or repair of farm buildings whether such buildings are used for residential purposes or otherwise. In the 15 years since the enactment of this section in 1938, the FHA has received 6,585 applications of which 1,681 or about one-fourth have resulted in insured mortgages amounting to some \$7 million.

*Recommendation No. 10:*

Your Subcommittee recommends that the farm mortgage loan insurance provisions of Section 203 (d) of the National Housing Act be repealed.

Most of the activity under this section of the act took place in the 3 years following its enactment. In the past 10 years, there has been very little insurance written. In 1952, for example, only 3 farm-mortgage loans were insured and only 1 loan has been insured during the first 10 months of 1953. Termination of this authority is an additional step toward the objective of the simplification of the National Housing Act.

It is the judgment of your Subcommittee that the Federal Housing Administration is an agency which is designed primarily to serve the nonfarm population and that the FHA does not belong in the farm-housing field. The farm-housing problem is directly related to other factors in the agricultural economy and the Congress has recognized this by providing within the Department of Agriculture several programs of financial assistance designed specifically to meet the needs of the Nation's farm population. Among the farm credit agencies is the Farmers Home Administration, an organization which provides supervised credit for farmers in the farm housing field. This agency has the statutory authority and the experienced personnel to deal with farm housing questions. The Federal Housing Administration does not.

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*Recommendation No. 11:*

Your Subcommittee recommends that Sections 203 and 207 be amended to provide effective continuing means for financing the sale of publicly owned or publicly financed housing available for disposition—including housing constructed under the Lanham and related acts—and for the disposal of properties acquired by FHA through its insurance programs under Title VI and Title IX and for



reinsurance transactions involving properties originally insured under Title VI or Title IX.

The present authority for insurance or reinsurance of properties in these categories is contained in Title VI and Title IX which your Subcommittee is recommending for repeal. In line with the Subcommittee's objective of simplifying the National Housing Act and of terminating emergency programs, this recommendation will serve to consolidate into the long-term insurance programs of Title II this necessary and desirable authority. Adoption of this recommendation will produce maximum efficiency in administration. It should serve in the long run to facilitate the disposition of Government-owned properties.

#### MUTUAL MORTGAGE INSURANCE SYSTEM

The reserves of the Mutual Mortgage Insurance System under Section 203 of the National Housing Act must be materially strengthened in order to make the system inherently sound and to minimize the exposure of the United States Treasury to loss in the event of a real-estate depression. For this purpose and in order to reduce administrative costs insofar as possible, we make the following recommendation:

##### *Recommendation No. 12:*

Your Subcommittee recommends that the group account system of mortgage insurance under section 203 of the National Housing Act be merged into a single insurance fund and that payments of participating dividends under this system be made by the Commissioner on the basis of sound actuarial principles, having due regard for the soundness of the entire system.

The insurance of home mortgages as a Federal agency function was initiated by the adoption of the National Housing Act in June 1934. There had been no substantial precedent for the operation at that time and the mortgage experience of the great depression was, of course, at that time both incomplete and inadequately recorded.

Under those circumstances, the probable expenses of an insuring agency both for administration and for payment of losses could be conjectured only within a wide range of possibilities. Conceivably, as viewed at that time, actual costs might have been either materially more or materially less than the income from the one-half percent annual insurance premium based on declining loan balances which has since become the established standard premium.

With such uncertainty as to prospective costs, the original legislation provided for the principle of mutuality in the operation of the insurance program—contemplating that liberal premiums would be



charged, with eventual return to the mortgagors of excess funds accumulated by FHA as the insuring agency. The legislation further provided a rigid system of group insurance blocks to which individual mortgages would be assigned, with a general reinsurance account as a central pool for support of the individual groups. The individual groups were conceived as a device for establishing the amounts of dividends due and payable to individual mortgagors in the event that their class of mortgages had a favorable mortality and loss experience.

Principal modifications in the system of mutual insurance took place in 1938, after only three full years of activity, and in 1953 during the first session of the current Congress. In 1938 the MMI System was revised to exclude the large-scale rental project operations under Section 207 (which involved corporate mortgagors), and to base the insurance premium on declining balances rather than original face amounts of mortgages insured. Action had previously been taken to set the premium at the minimum level permitted by statute, namely one-half of 1 percent annually.

In the initial session of the current Congress a substantial revision of the management of the individual groups and the general reinsurance account was made by increasing the amounts to be transferred to the general reinsurance account and thus reducing the funds available for dividends on future insurance contracts. These actions were taken in recognition of the fact that the original rules for operating the system did not build up in the central reserve of the system sufficient savings during periods of prosperity to meet the possible losses in event of a major depression. As a further effort to assure rapid accumulation of assets in the general reinsurance account, the allocation of all premiums to that account was provided for "until such time as the Commissioner determines that the resources in the general reinsurance account are sufficient to cover all estimated future deficits among individual group accounts."

FHA estimates indicate that reserves totaling \$245 million might be required for support of the MMI System if a depression were to start immediately. In contrast, the surplus accounts of the system aggregated \$152 million on June 30, 1953. In addition, FHA held some \$24 million in a separate account as unearned premiums, not counted as an offset to required reserves. Since under present statutory controls a part of the accumulated surplus would be paid out as participation dividends even in the event of a depression, it appears that the present FHA surplus and other funds of the MMI System could well be \$70 to \$100 million or more below the requirements of the system in the event of an immediate serious real estate depression.

Your Subcommittee has given serious consideration to the question of whether mutuality should be discontinued with respect to the FHA's



major home mortgage insurance program (Sec. 203), or whether the present or an improved system of mutuality should be recommended. It has been the conclusion of the Subcommittee, first, that the present system of mortgage insurance requires major modification, and second, that the changes needed might better be done through a new system of mutuality rather than through abandonment of the principle of mutuality. The changes proposed are in the nature of extensions of the action taken by the current Congress during its first session.

Primary reasons for altering the present group account system of mortgage insurance are the following:

1. The group account system allows the accumulation of a major part of the system's assets in segregated pools of funds reserved for the individual groups and not available as a reserve for the support of other groups with unfavorable experience. This condition could easily lead in a period of depression to the anomaly of FHA need for Treasury support of the general reinsurance account at the same time that substantial assets are held by FHA for the benefit of selected group accounts. Very substantial dividends, under these conditions, would be due to selected terminating mortgagors at the same time that Treasury support is being demanded for the system as a whole.

2. The underwriting workload required solely for purposes of allocating mortgages to individual groups is substantial and unnecessary.

3. The accounting activity involved in maintaining records for the 200 or more individual group accounts is unnecessarily burdensome as compared with the accounts which would be required for a unified system.

Principal reasons for the Subcommittee recommendation of a new system of mutuality rather than abandonment of mutuality are as follows:

1. Since FHA experience has not yet included a cycle of depression, the net cost of mortgage insurance is still conjectural. Furthermore, since successive real-estate cycles may vary in the seriousness of the depressed period, the extent of insurance costs may vary from cycle to cycle. It is considered sound policy that FHA have the power to collect sufficient premium to cover maximum probable losses and costs while at the same time having the power to return to individual mortgagors maximum dividends justified by actual experience in order to reduce their costs for home financing.

2. By continuing mutuality, the immediate reserve position of the system can be improved by merging into a single system the outstanding insurance risks and reserves with the future insurance written. It would appear inequitable, if not actually impossible, to merge the reserves from past and future operations if mutuality were to be abolished for future insuring operations.



3. The greatest economies in administration would be a consequence of abolishing the group accounting system, with its attendant underwriting refinements, rather than a consequence of abandoning mutual-ity. Administrative costs need be no greater for a mutual system based on a single insurance pool than for a nonmutual system since the extensive record keeping required for multiple group accounts will be eliminated. On the other hand, administrative costs might actually be increased if it were necessary to operate a new system of nonmutual insurance while maintaining the mutual system for liquidation purposes over an extended period.

As indicated above, the Subcommittee has been informed that in the event of an immediate depression, the FHA surplus accounts in the Mutual Mortgage Insurance System might be as much as \$70 million to \$100 million or more below the amounts required by the most serious assumed standards of losses. This amount may be considered an approximate measure of the inadequacy of the accumulation of assets resulting from a more than normal period of prosperity. The method by which FHA estimates the possible losses, and hence the required reserves, of the MMI System is described in detail in Exhibit 7.

Contributing to the size of this inadequacy have been certain special circumstances which are either correctable or not likely to recur. First, the MMI System has assumed during this first cycle the entire capital cost of establishing the new agency and going through the early years of experimentation and development. The \$42 million invested by the United States Government for initial reserves and early operating costs of the system may be a fair approximation of the initial capital costs of the system, only a part of which should probably be expected to be charged against the first cycle of operations. A second nonrepeating element is the fact that from May 1942 through June 1952, the MMI System was restrained from collecting the "prepayment premium" of one percent on insured mortgages prepaid without refinancing. The amounts of these prepayment premiums waived are reported by FHA to exceed \$20 million.

Another factor has been the maintenance by FHA of an unearned premium reserve which is an independent liability item currently amounting to nearly \$25 million. This reserve has not been recognized as an offset to required reserves for losses.

The final major factor which has limited the accumulation of surplus to meet future losses has been the extent of participating shares distributed to terminating mortgagors. This factor continues in effect, although partially abated by the legislative action in the Housing Amendments of 1953, and constitutes the main objective of the specific proposals listed below for carrying out Recommendation No. 12. As of June 30, 1953, FHA had distributed to terminating mortgagors



participating dividends totaling \$47,300,000. Perhaps an equal amount would in the future be distributed from the assets of selected group accounts which have already established themselves as groups with favorable experience.

Under the terms of the National Housing Act, the FHA has had no power to reduce the aggregate amount of these participating share distributions in spite of their knowledge that the surplus account of the general reinsurance account was being accumulated at too slow a rate in relation to the "required reserves" for possible future losses.

In order to make available a maximum amount of surplus for the protection of the insurance system as a whole as well as in order to permit maximum efficiency of administration, it is essential that the insurance in outstanding group accounts be merged into the system with future insuring operations. However, equity for mortgagors who would otherwise have been eligible for participation dividends under the existing statute requires that special transition provisions be made for equitable treatment of these mortgagors while affording increased safety to the system.

The following changes in the organization and operation of the Mutual Mortgage Insurance System are proposed for the purpose of carrying out the above recommendation. They constitute an extension of the important revisions in the system which were adopted by the 83d Congress in the Housing Amendments of 1953.

1. Abolish all group accounts and the general reinsurance account.
2. Establish two surplus accounts, namely the general insurance account and the participating surplus account to which to assign all assets of the existing surplus accounts in the MMI System, namely, the statutory reserve accounts and the general reinsurance account. The initial allocation to the participating surplus account will consist of the portion of the credit balances in existing group accounts which would have been payable as participation dividends if all outstanding mortgages in those groups were to prepay or mature on July 1, 1954. The initial allocation to the general insurance account will consist of all other assets of the present surplus accounts.
3. Authorize the FHA Commissioner in any year in which MMI Fund operations result in a net income (taking into account reserves for losses on properties acquired or liquidated during the year) to make such allocation of that net income to the general insurance account and the participating surplus account as may be proper in the sound operation of the System. This will permit the FHA Commissioner to make maximum allocations to the reserves of the System until such time as these reserves are considered to be adequate.
4. Authorize the FHA Commissioner in any year in which MMI Fund operations indicate a net loss to charge that loss against the



general insurance account and the participating surplus account on a sound and equitable basis.

5. Authorize the FHA Commissioner to distribute from the participating surplus account participating shares to terminating mortgagors on the basis of sound actuarial principles. Until further allocations of net income are made to this account, only those mortgages would receive participating shares which are in group accounts which would distribute such shares on July 1, 1954.

Subject to variation on account of the trends of future insurance volume and the timing and extent of losses of the MMI System, the FHA has advised the Subcommittee that the above changes in the operation of the MMI System would permit the accumulation of adequate surplus to meet the required reserves of the System during a period of less than 4 years. They would, furthermore, allow this surplus to be accumulated at a maximum rate consistent with equitable management of the insurance contracts already outstanding.

#### FHA RESERVES

Exhibit 7 discusses the reserves which have been established for FHA mortgage insurance programs. It also presents in considerable detail the actuarial assumptions upon which the FHA bases its conclusion that the Mutual Mortgage Insurance System would meet the soundness test in the event of a major real estate depression.

In the preceding discussion of the mutual mortgage insurance fund, it has been illustrated how the recommended changes in mutuality will serve to improve the reserves of the MMI fund.

The idea of mortgage insurance is still relatively new and the only body of actuarial standards that exists is that which has been developed since 1934 by the FHA. Your Subcommittee is not in a position to pass judgment upon these actuarial standards, but it is of the opinion that the foreclosure and loss assumptions described in Exhibit 7 are properly conservative. It is necessary, however, to emphasize that FHA insurance operations have taken place in an almost constantly rising real estate market and there has been no test of the adequacy of its reserves.

In response to the Subcommittee's request, FHA has submitted Exhibit 7. It is our opinion that this is a reasonable statement, but because of the technical nature of the subject, the members of the Subcommittee wanted the conclusions presented in this analysis reviewed independently. We were unable, however, to employ an independent actuary to make an analysis of this statement within the time available to the Subcommittee.

We are aware that the Subcommittee on Housing Credit Facilities has considered the matter of FHA reserves and has recommended that



an independent study be made of the experience of mortgage lenders over a long period of years in order to form a basis for determining minimum reserve standards for a mortgage insurance program. Your Subcommittee joins the Subcommittee on Housing Credit Facilities in recommending that an objective, independent long-range study be made of the prospective foreclosure and loss experience of the FHA mortgage insurance program.

## SECTION 207

*Recommendation No. 13:*

Your Subcommittee recommends the following revisions in statutory maxima for the insurance of mortgage loans on multiple housing for rent under Section 207 of the National Housing Act:

The upper limit of \$10,000 per unit should be removed and the maximum mortgage amount should be determined by applying the existing limitation of \$2,000 per room or 80 percent of value, whichever is less, except that for fire-resistant or fireproof-elevator type buildings the maximum per room should be \$2,400.

With respect to projects having an average of less than four rooms per unit, the statutory maximum of \$7,200 of mortgage amount per unit should be retained, but an additional \$300 per unit should be authorized for fire-resistant or fireproof-elevator construction.

The changes recommended above are desirable to increase the usefulness of the section 207 program for project construction in central locations and especially in connection with slum clearance and redevelopment programs in such areas. In such projects, fireproof construction in elevator structures may be essential for economically sound developments. Such structures cannot be effectively developed under the limitations of the present statute.

*Recommendation No. 14:*

Your Subcommittee recommends that Section 207 of the present statute be amended to clarify the authority of FHA to insure loans up to 90 percent of value but not in excess of \$7,200. The statute is presently interpreted to restrict this special aid to projects in which *all* units have two or more bedrooms. The Subcommittee recommends that this be changed to projects in which the *average* number of bedrooms is not less than two per unit.

This recommendation is designed to allow projects developed under this special provision to have a better balance of units distributed among 1, 2, and 3 or more bedroom units to fit best the needs of the lower-income families for whom the projects are intended. FHA re-



view processes can be relied upon to assure sound and proper composition of dwelling units for these projects with due regard to varying local needs.

## SECTION 213

*Recommendation No. 15:*

In order that cooperative projects may be developed under Section 213 with property characteristics similar to those which will be feasible under the amended program of Section 207, your Subcommittee recommends that the following maximum mortgage loans, not to exceed 90 percent of cost, be established for Section 213:

\$2,250 per room if project averages four or more rooms per unit; or \$2,700 per room in such projects of fire-resistant or fireproof-elevator construction; \$8,100 per unit if project averages less than four rooms per unit.

If 50 percent or more of the cooperators in a project are eligible veterans of World War II or the Korean conflict, maximum mortgage amounts, not to exceed 95 percent of cost, are recommended as follows:

\$2,375 per room if project averages four or more rooms per unit; or \$2,850 per room in such projects of fire-resistant or fireproof-elevator construction; \$8,550 per unit if project averages less than four rooms per unit.

The Commissioner should have adequate personnel available to provide to the sponsors of cooperative housing projects the soundest principles of leadership and management techniques for their guidance in organization and operation.

The above limitations would be in lieu of the present statutory maxima of \$8,100 per unit or \$1,800 per room. These present limitations are subject to upward adjustment on account of veterans preference in the amount of \$4.50 per unit or \$1 per room for each 1 percent of the membership composed of veterans—provided that if 65 percent or more of the cooperators are veterans, the maximum mortgage amounts are \$8,550 per unit or \$1,900 per room.

Your Subcommittee has discussed the Section 213 program of cooperative housing with representatives of Government agencies, lending institutions and cooperative and other interested groups. We have found that there is only a restricted market today outside of FNMA for the mortgage paper arising out of Section 213 financing. The problems encountered are attributable primarily to the relations between investing institutions and the cooperative ownership itself rather than to any difficulties resulting from the provisions of Section 213.



Many witnesses have suggested that FHA should be in a position to provide more technical assistance and advice to protect the financial investment of the consumer in a housing cooperative and in the long run to make the mortgage paper more attractive to investors. Accordingly, our recommendation provides that the FHA Commissioner should have adequate personnel available to provide to the sponsors of cooperative housing projects the soundest principles of leadership and management techniques for their guidance in organization and operation.

The Subcommittee agrees that the fundamental principles of cooperative housing are workable. By banding together, families in need of housing can often obtain such housing at relatively low cost not only in suburban areas but also in the concentrated areas of our larger cities. The demand for cooperative housing makes it advisable that the Section 213 program be continued.

In slightly more than 3 years, approximately \$225 million of insurance has been written under the Section 213 program. This, the Subcommittee recognizes, represents a large volume of cooperative housing to have been achieved during the preliminary and exploratory stages of the cooperative housing insurance program.

Your Subcommittee believes that the above recommendation will enable the FHA to give continuing aggressive support to this program. As experience is gained, both by the FHA in administration of the program and by the sponsoring cooperative groups, it is anticipated that there will be increasing participation in the program on the part of home builders and lenders.

The Subcommittee listened to witnesses who argued for the establishment of a cooperative housing mortgage corporation to make housing loans to cooperatives. In the time available to the Subcommittee, it was not possible to study this proposal in detail. We therefore suggest that the Administrator should make a careful study of this matter.

#### SECTION 220

The need for widespread and effective rehabilitation of blighted areas and conservation of existing home values in other portions of our urban communities is one of the most pressing problems of this century. The Subcommittee is of the opinion that only through an aggressive program such as the following recommendation can any significant progress be expected in the solution of this problem.

##### *Recommendation No. 16:*

Your Subcommittee recommends the establishment of a new insurance program in the FHA for the purpose of assisting in the financing of urban redevelopment and rehabilitation programs initiated



by local legislative bodies and carried out with the cooperation of private persons and corporations. For that purpose your Subcommittee recommends that a new Section 220 be added to Title II of the National Housing Act. The essential provisions of this section should be as follows:

The Commissioner should be authorized to insure mortgage loans on both new and reconditioned 1- to 4-family units with the maximum mortgage amount limited to 95 percent of the first \$8,000 of value and 75 percent of the excess. The maximum eligible mortgage should be \$20,000 for 1- to 2-family dwelling units, \$27,500 for 3-family and \$35,000 for 4-family. These are the same limits proposed by your Subcommittee to apply to 1- to 4-family housing under Section 203.

With respect to the insurance of mortgage loans to finance the construction of new and existing multifamily housing in urban redevelopment or rehabilitation areas, the Commissioner should be authorized to insure loans on such projects on terms and conditions acceptable to him. The maximum loan should be 90 percent of value or \$2,250 per room, or \$2,700 per room in the case of fire-resistant or fireproof-elevator type buildings.

It is our recommendation with respect to all classes of loans under Section 220, that before any property shall be eligible for insurance, the general area in which such property is located shall have been officially designated by the appropriate local legislative body as an urban redevelopment or rehabilitation area in a manner and under conditions to be prescribed by the Commissioner of the FHA.

It is recognized that the primary initiative for such activity should and must be the responsibility of the local communities. But it is also recognized that only through such a means as FHA mortgage insurance supported by the technical assistance that can thus be provided will the substantial financing requirements of this vast undertaking be made progressively available.

In order that this program may be administered by the FHA on as sound a basis as possible, it will be mandatory that local communities assure the FHA as to the extent of area improvement which will be accomplished in blighted areas by virtue of municipal and other local action. Such action will be designed and planned by the local communities in keeping with local requirements, but must be adequate to provide assurance to FHA of the opportunity to make mortgage insurance available on a sound basis.

The Subcommittee is aware that the proposed 90 percent mortgage loan ratio for rehabilitation of existing multifamily dwelling structures may in many instances be unrealistic. However, in the administration of the Section 220 program and in the application of under-



writing procedures, the Subcommittee is satisfied that the FHA Commissioner will be able to avoid the use of this program for the unwarranted conversion into mortgage debt of present equities in existing structures.

While it is true that some degree of rehabilitation financing could go forward under the present Section 203 program, your Subcommittee has been impressed by the number of witnesses who recommend that a specific authority be set up for the rehabilitation insurance program. Many of the techniques for rehabilitation and redevelopment have been present for a long time. There is also a strong body of interest on the part of local community groups. What is needed is a stimulus to local community action and a method of enlisting the support of builders and lenders for the program. It is the judgment of your Subcommittee that enactment of the recommended Section 220 program will provide this stimulus. We believe that the separate identification of the new program will help materially in focusing attention on its objectives and in enlisting the interest and cooperation of property owners, local governments, lenders, and builders.

#### SECTION 221

The general recommendations of the Subcommittee for enlargement and improvement of the FHA insurance programs should serve to assist in meeting the needs of the vast majority of American families. They will go a long way toward stimulating a large volume of new housing construction in large and small communities, facilitating modernization and rehabilitation of existing dwellings on an individual basis and in designated redevelopment areas; and making home ownership more feasible for families of low and moderate incomes. There are, however, some low-income families that present special problems and for whom a special solution must be devised.

There is a substantial body of opinion which holds that local programs of urban redevelopment or rehabilitation cannot develop rapidly because of the absence of an adequate supply of relocation housing for the displaced low-income families. The precise extent of this problem is not readily measurable. It will obviously vary from community to community depending on the size and character of the local housing supply and on the comprehensiveness and effectiveness of local programs. It is clear, however, that when local housing codes are vigorously enforced to reduce the density of occupancy in designated conservation areas, or when redevelopment areas are cleared, there will be a need for housing for relocation purposes.

It is the opinion of your Subcommittee that the existing housing supply should be used to the utmost to meet such relocation needs. When the existing supply of housing for rent or sale at rents or prices



within the reasonable ability of the displaced families to pay is exhausted, it would be, in our judgment, far more practical and economical for the FHA to insure loans on small homes on generous terms than to construct publicly-owned housing at great expense to the Federal Government and the taxpayers.

A second group of low-income families requiring special attention are those whose housing situations may not necessarily be directly affected by local rehabilitation or redevelopment programs. Families in this group are those living in substandard housing and who are unable without some form of private or public subsidy to acquire and maintain a decent minimum standard of housing. These are the families who, by and large, are eligible under present standards for admission to public housing.

*Recommendation No. 17:*

That for a period of 2 years to assist in meeting the housing requirements of low-income families, as determined by the FHA Commissioner, your Subcommittee recommends the enactment of a new Section 221 in the National Housing Act. Section 221 should authorize the FHA Commissioner to insure loans up to \$7,600 per dwelling unit with the addition of \$1,000 in high-cost areas, as determined by the FHA Commissioner, for a term not in excess of 40 years, and for certified eligible owner-occupants up to 100 percent of the FHA estimate of the value of the property. These loans should be written at the going FHA rate of interest and with an annual insurance premium to be determined by the Commissioner. A separate insurance fund should be established for the protection of mortgages insured under Section 221 with a proviso that there may be no transfer of assets between this fund and other FHA mortgage insurance funds as authorized in Section 219 of the National Housing Act.

Section 221 loans should be insured for new construction as well as for existing dwellings which have been reconditioned sufficiently to provide sound security for the loan.

The cash outlay required of an owner-occupant purchaser should be a minimum of \$200 including amounts to cover settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premium, and other prepaid expenses.

To provide for construction on an efficient basis, FHA should issue commitments to builders or other non-owner-occupant mortgagors up to 85 percent of value with provision for conversion of the temporary loans into permanent 100 percent loans upon sale to qualified owner-occupant purchasers.



Section 221 should be operated on a programmed basis. The FHA Commissioner, upon the basis of evidence submitted in the local request for Section 221 assistance, shall determine the extent to which the program should be authorized. The Commissioner should be guided by the principle that Section 221 assistance should be available only in those communities and only in such amounts as he shall determine to be necessary to meet the housing needs of eligible low-income families that are not and cannot be met from the existing supply or by the operation of conventional financing and regular mortgage insurance programs.

In the administration of this program, preference should be given to extending these liberal terms to families displaced by public housing, urban renewal, or various demolition programs.

Low-income families receiving rent subsidies or other public assistance would not qualify under FHA credit standards for home mortgage financing. In order to provide homes for these families, the Section 221 program provides for firm commitments to builders or other non-owner-occupant mortgagors up to 85 percent of value. Provision is also made for the conversion of such commitments into insured mortgages with property ownership retained by the builder or other sponsor. This enables an eligible low-income family to rent the home possibly under a lease-purchase contract. The family would be eligible to acquire the deed to the property at such time as family income becomes adequate to permit the termination of public assistance and to justify the qualification of the family as an owner-occupant home purchaser under FHA credit standards. The use of the lease-purchase contract will reduce the expense involved in transferring the property to owner occupancy.

The Subcommittee is of the opinion that in the operation of the 221 program the FHA Commissioner should develop such regulations as are appropriate to control possible abuses in the use of the program. For example, the regulations should provide that if a property financed under the liberal terms of Section 221 is resold within a specified time after its initial purchase that the full unpaid balance of the mortgage shall immediately become due and payable. Exceptions to this requirement, in appropriate cases, should be made at the discretion of the Commissioner.

The recommended program should not be brought into operation in any community which was not undertaking an active redevelopment or rehabilitation program under either the proposed Section 220 described under Recommendation No. 16 or under Title I of the Housing Act of 1949. Further, the local community must demonstrate to the satisfaction of the FHA Commissioner that the housing needs of eligible families are not and cannot be met from the existing supply



or from the operation of conventional financing and regular mortgage insurance programs. Each eligible family must be certified to the FHA by an appropriate local agency designated by the community: the local redevelopment authority, the local relocation agency, the local housing authority, the welfare board, etc.

It is expected that the programs planned by the FHA Commissioner for individual localities will stipulate for each local program mortgage limits within the \$7,600 limitation of this section which are appropriate to the income levels and construction costs of the individual localities and take into account the room composition and sizes of units to be provided. Provision is made for the addition of \$1,000 per dwelling unit at the discretion of the Commissioner in high-cost areas.

For both groups of eligible families, family income and resources must be so low as to bar the family from meeting the liberalized down-payment requirements recommended by the Subcommittee for small home loans insured under Section 203 of the National Housing Act. For low-income families, as distinguished from families requiring relocation housing, the FHA Commissioner should establish an income eligibility schedule applicable to the particular community in which the program is authorized. Such schedules should be patterned substantially after those now applied by local housing authorities under the public housing program.

The Section 221 program will, in the judgment of your Subcommittee, go a long way toward meeting the needs for housing low-income families. This is not to say that there are not some families who for one reason or another have incomes so low that they will more or less continually be dependent upon private or public assistance to maintain a decent minimum standard of housing. These relatively few families will have to be subsidized in one form or another. However, operations under Section 221 should in the long run have the effect of reducing the number of such families in any community to the point where local authorities should be able to accommodate them within the limits of their own resources and without Federal subsidy.

One of the principal features which commends the Section 221 program, particularly insofar as it may be compared with the present method of accommodating low-income families, is that it does not present the same problem of dealing with over-income occupants that exists in the public housing program. Under Section 221, it would be up to the appropriate local agency to police any subsidy payments and to determine when such payments should be reduced or stopped completely. The technique permits an easy transition from the stage where a family requires public assistance to the status of that family



as a self-supporting entity. There is no problem of uprooting families or of disturbing the continuity of their social existence.

Exhibit 8 shows that the monthly carrying costs of a Section 221 loan on a \$6,000 mortgage would amount to approximately \$40. This is the amount necessary for principal and interest, loan servicing charges, insurance premiums and average estimated taxes and hazard insurance. Comparable costs are shown for \$7,000 and \$8,000 mortgages.

The Subcommittee has considered the suggestion that monthly maintenance payments be required under this program. While we recognize that the idea is good in theory, it has been rejected as impractical in operation. The Subcommittee is convinced that families who own their own properties have a pride of ownership which leads to a standard of proper care and maintenance that no group of tenants has ever shown. The owner-occupant is able to capitalize on his spare time to maintain his property with a resultant overall saving in maintenance costs, whereas the tenant is accustomed by tradition to leave maintenance to his landlord.

Your Subcommittee has in Recommendation No. 25 below suggested that the FHA mortgage insurance contract be appropriately amended to include the so-called "open-end" clause under which additional advances may be made for repairs, modernization or other permanent additions to realty. The use of an open-end contract in the proposed Section 221 program would in many cases provide the appropriate financing technique to accommodate major repairs or improvements on existing properties. Otherwise, mortgagees should be able to work out in appropriate cases a plan by which low-income family occupants can systematically accumulate a maintenance fund.

Your Subcommittee is of the opinion that Section 221 is part of a four-way approach which it is recommending to assist in solving some of the problems involved in rehabilitation and redevelopment, in relocating displaced families, and in providing housing for low-income families eligible for public assistance.

The first form of assistance is through the recommended liberalization of the program of modernization and repair loans under Title I of the National Housing Act. Your Subcommittee is of the opinion that improvement of the existing housing supply through the use of Title I should prove of major assistance in upgrading the housing supply and in providing low-income families with an opportunity of improving their housing standards.

The second part of the program is contained in the Subcommittee's recommendations for extensive liberalization of Section 203. These recommendations provide for placing the existing house on a par with new construction for mortgage insurance purposes; for liberalizing



down-payment requirements on small homes; and for stimulating the production of small homes by improving the acceptability and marketability of the mortgage instrument. The inherent desire of the average American family to improve its housing standards is one of the dynamic forces behind the spread of home ownership. Taken in conjunction with the program of modernization and repair, as well as the trade-in house program, more liberal terms for financing of new and existing structures in the long run should serve to improve the housing supply and to assist in meeting the needs of low-income families.

The third technique is embodied in the recommendation of the Subcommittee for the enactment of a new section 220 program providing for the insurance of loans for both new and rehabilitated structures in connection with the rehabilitation of blighted areas. The Section 220 program provides a means by which local communities, assisted by an economically sound program of mortgage insurance with favorable financing, will be able to engage in local programs of redevelopment and rehabilitation while providing a substantial volume of adequate housing for families requiring relocation and for other families of low-income living in substandard housing.

When these programs have failed to meet relocation requirements and the housing needs of the lowest income families, the local community through its appropriate local agency will appeal to the FHA Commissioner for certification of eligibility to participate in the section 221 program. Thus, in the judgment of your Subcommittee, the section 221 program constitutes a "rifle shot" approach to follow the failure of all other methods and programs of meeting local requirements.

## TITLE VI

### *Recommendation No. 18:*

**Your Subcommittee recommends that Title VI of the National Housing Act be repealed.**

This recommendation is in line with the objective of the Subcommittee for the simplification of the National Housing Act. Those present provisions of Title VI which have a continuing place in the insurance program are recommended for consolidation with Title II.

If this recommendation is adopted, the reinsurance operations for the expired programs under Sections 603 and 608 will be carried out under the long-term insurance program of Title II. It will also serve to accelerate the termination of the Title VI war housing insurance fund.

Section 609, which provides for a separate insurance program for prefabricated housing, has been of only very limited use. Less than \$5 million of insurance has been written by FHA in the 6 years since



Section 609 was enacted. In the opinion of your Subcommittee, the other insurance programs are sufficient to supplement normal financing facilities to meet the needs of the prefabricated house industry.

The Section 610 authority for insurance of loans to finance the sale of publicly owned housing is recommended for repeal. The continuing need for this authority is provided by including under Title II an authorization for this activity.

Little use has been made of the special program under Section 611 for insurance of construction advances for the production of groups of 25 or more single-family homes. In a 5-year period, only \$12 million of insurance covering less than 2,000 units has been written. Your Subcommittee believes that the provisions of Section 203 for firm commitments to builders and of Section 207 for the insurance of construction advances provide ample facilities to replace the special nature program of Section 611.

## TITLE VII

### *Recommendation No. 19:*

Your Subcommittee recommends that Title VII of the National Housing Act be repealed.

Title VII, enacted in 1948, was designed as a yield insurance program which would provide for a guarantee of a minimum rate of return on private capital invested in rental housing projects. Even though Title VII was a new and untried method of Government-insured financing, it was hoped that it would prove attractive to pools of investment capital and thus become a stimulant to the production of rental housing.

In the 5 years since the yield insurance program was authorized, there have been no bona fide applications and there is a serious question as to whether there is a demand or a need for this program. The Subcommittee has been advised by the FHA that:

"In numerous instances, preliminary negotiations were carried on looking toward developing yield insurance applications. In each instance, as the conferences proceeded, it became evident that mortgage insurance was more appropriate and more attractive to the sponsoring group. Even large pools of investors have indicated that they prefer to invest in insured mortgages because of the greater liquidity. Furthermore, experience has shown that corporations interested in making this type of investment, generally life insurance companies, have technical staffs to develop and analyze income properties and these institutions see no real reason for paying FHA an insurance premium for yield insurance."



Accordingly, your Subcommittee recommends that Title VII be repealed. This would constitute an additional step toward the objective of simplification of the National Housing Act.

### TITLE VIII

Title VIII—also known as the Wherry Act—provides for a program of mortgage insurance to assist in the production of rental housing for military or atomic energy personnel. Your Subcommittee is of the opinion that this program has served well its purpose of providing adequate permanent housing and we are reluctant to recommend its repeal as long as there may be a continued need.

The Subcommittee has been advised that the Atomic Energy Commission has no additional requirements for Title VIII assistance. The Department of Defense, on the other hand, reports a substantial but indeterminate additional need for permanent housing at military installations. The designation of military bases as permanent establishments is dependent upon decisions to be reached in the first instance by the Joint Chiefs of Staff which is currently reviewing defense requirements. Uncertainties over the military budget and related appropriations also make accurate projections impossible. Nevertheless, the Department of Defense should be encouraged to take a current inventory of its housing supply and to spell out its housing requirements as definitely as current military planning will permit.

#### *Recommendation No. 20:*

Your Subcommittee recommends that Title VIII be extended on a standby basis for 1 year but that the authority not be used until the Department of Defense can present adequate factual information to demonstrate the continued need for this insurance program.

A brief record of mortgage insurance operations of FHA under the Title VIII military housing program as of September 30, 1953, is shown in the following table:

	Number of projects	Amount (millions of dollars)	Dwelling units
Applications received.....	296	\$703	87,906
Commitments issued.....	277	670	83,806
Mortgages insured.....	220	553	68,810
Construction status:			
Started.....			69,596
Completed.....			60,848

Source: Federal Housing Administration.



## TITLE IX

**Recommendation No. 21:**

Your Subcommittee recommends that Title IX of the National Housing Act be repealed.

Title IX of the National Housing Act provides for a special program of mortgage insurance to assist in the financing of programmed permanent housing in designated critical defense housing areas. Operations under this authority have been the object of much serious question and your Subcommittee is of the opinion that Title IX should be repealed.

This position is taken for two reasons: first, changes in military plans and related housing requirements have made realistic programming of defense housing almost impossible; and second, the Subcommittee is simultaneously recommending extensive liberalization of the Title II mortgage insurance program. In our opinion, peacetime defense housing needs in the future can be met just as expeditiously, if not more so, by private enterprise through the permanent Title II program than through Title IX.

The recommended repeal of Title IX constitutes an additional step toward the objective of simplification of the National Housing Act.

Defense housing activity has fallen off sharply in recent months. As of June 30, 1953, there were 115,193 dwelling units in FHA Title IX applications. During the months of July, August, and September mortgage insurance for only 458 additional units was requested. Since January 1, 1953, the total number of units programmed for privately financed construction of defense housing has increased by only 1,375 units from 98,224 at the beginning of the year to a net of 99,619 as of September 30, 1953. The status of Title IX operations and the programming of defense housing at the end of September 1953 are shown in Exhibit 9.

## THE FHA MORTGAGE INSURANCE CONTRACT

Your Subcommittee recommends revision of the FHA mortgage insurance contract on 1- to 4-family housing under Section 203 and under the proposed Section 220 in the following respects:

**Recommendation No. 22:**

The insurance contract should provide for an allowance to the mortgagee of \$75 or two-thirds of the actual approved foreclosure costs, whichever is greater. Allowable foreclosure costs should, in all cases, be subject to approval by the FHA Commissioner.



This proposal will replace the present schedule of allowable foreclosure costs which vary under the several different sections of the National Housing Act.

*Recommendation No. 23:*

The term of all FHA debentures, regardless of the title or section of the National Housing Act under which they are issued, should be for 10 years from the date of issue. This recommendation applies, of course, only to future insurance contracts.

The Subcommittee has considered many proposals for the change of the present procedure under which the rate on FHA debentures is set at the time of the issuance of the insurance contract. After extended discussions, the Subcommittee recommends that the present policy and procedures with respect to debenture interest rates be continued.

*Recommendation No. 24:*

The privilege of using FHA debentures in the payment of mortgage insurance premiums should be continued but only to the extent and in the manner now permitted under FHA regulations.

#### OPEN-END MORTGAGE

*Recommendation No. 25:*

Your Subcommittee recommends that the pertinent provisions of the National Housing Act be amended to permit the FHA to include in its mortgage insurance contract the so-called "open-end" clause. Funds advanced under an insured open-end mortgage should be used exclusively for repairs, improvements, enlargements, modernization, and permanent additions to realty.

The open-end mortgage is one which permits an additional advance of funds without requiring refinancing together with the associated costs of a new loan closing and recording. One of the major stumbling blocks to the widespread use of the open-end mortgage has been the legal requirement in some states that a full title search be made in connection with an additional advance under an open-end mortgage. This problem is being overcome, however, as some of the largest title companies in the country are now offering a title service at the relatively low cost of \$5 per \$1,000.

The use of the open-end mortgage should assist in the maintenance and improvement of the housing supply. It provides a method by which the average homeowner could readily obtain funds to finance the modernization and repair or expansion of home properties as his family grows in size or his economic status improves. It is the opinion



of the Subcommittee that widespread use of the open-end mortgage could have a significant impact on the economy of the Nation.

Certain changes in FHA regulations and procedures would be required as well as amendment of Section 204 of the National Housing Act, which governs the issuance of debentures in connection with the default of an insured mortgage loan. It is our opinion that the required regulatory changes and statutory amendments can be made without excessive difficulty and we so recommend.

### FLEXIBILITY OF OPERATIONS

Your Subcommittee is greatly concerned over the manner in which the insurance operations of the Federal Housing Administration have been hampered during the years by the limiting provisions of the statute concerning the gross amount of insurance liability which may be outstanding at any one time. Your Subcommittee is also concerned over the fact that budgetary limitations have often served to put FHA in the position of being unable to maintain a staff adequate to serve the needs of the home-seeking public.

These two subjects are directly related and they have forced FHA repeatedly to go through the process of seeking relief from the Congress. To be an effective aid in housing and home finance, the FHA requires a considerable degree of flexibility in its operations. It should not be in the position of having to close down insurance operations because of the exhaustion of an arbitrary insurance liability ceiling. It should be in a position budgetwise to meet the unpredictable nature of the volume of insuring operations.

### INSURANCE AUTHORIZATION

In the operation of the FHA insurance programs, there is a high degree of uncertainty over the volume of applications which will be submitted by home builders and mortgagees. For this reason, it is impossible to forecast accurately the dollar amount of insurance authorization which will be required for each separate program in a given period of time. The volume varies not only with changing economic conditions but also with changes in statutory requirements:

#### *Recommendation No. 26:*

Your Subcommittee recommends that FHA be provided with a single, revolving insurance authorization to cover all mortgage insuring operations. The total authorization should not exceed during any fiscal year the sum of outstanding balances of insured mortgages in force and outstanding commitments as of the beginning of that fiscal year plus \$3 billion.



Adoption of this recommendation will avoid the present necessity for repeated congressional action to extend FHA insuring authorizations.

Under this recommendation, a single amount could readily be established as the extent of current FHA mortgage insuring authority under all programs—a desirable objective which is not now possible. The present systems of mortgage insurance and yield insurance are operated under seven separate insurance authorizations, three of which are “revolving” authorizations (i. e., insurance authority may be reused as insured loans are amortized or retired) and four of which are one-time authorizations. The individual authorizations may be increased or decreased by Presidential transfer of unused authority from one program to another, pursuant to an amendment of Section 217 adopted in 1952, or by allocation from a general pool of authority created in Section 217 when that section was enacted in 1951.

Since 1938, the date of the first amendment to the Title II authorization, FHA records indicate 57 changes in insurance authorizations involving either Congressional or Presidential action. It is reported also that on at least 10 occasions during that time the exhaustion of an insurance authorization has required that insuring operations under one or more of the active programs either be suspended or placed under direct headquarters’ control.

The \$3 billion annual increase plus the runoff of outstanding liability will be adequate for FHA operations in all except periods of unusually heavy activity and then only in the latter part of any fiscal year. At such times, special requests for additional Congressional authority would be both feasible and desirable. The recommended \$3 billion figure is probably large enough to take care of the new insurance business to be generated by the enactment of the new programs of mortgage insurance recommended herein.

Exhibit 10 shows the amounts of mortgage insurance written annually during recent years and the net increase in outstanding liability.

#### BUDGET FLEXIBILITY

The FHA requires a high degree of budgetary flexibility in order to permit the agency to adjust to the unpredictable fluctuations in the volume of insurance applications and insurance claims. In practical operation, the budget limitation is fixed by the Congress in the annual appropriation act based upon budget estimates prepared some 3 to 5 months before Congress begins its consideration of the budget and from 9 to 11 months before the beginning of the fiscal period covered by the budget estimates in question. Over the years, the difficulty of predicting with accuracy what the public demand for FHA insurance will be has been further complicated by frequent changes in legisla-



tion or changes in Government policies. There have been an average of two amendments to the National Housing Act for every year since FHA was organized. The volume of business may be affected not only by general economic conditions or by legislative or regulatory changes, but it is also affected by specific localized conditions.

This situation was recognized by the Congress several years ago when a degree of flexibility was incorporated into the National Housing Act under the terms of Public Law 387 approved October 25, 1949. This statute provided in effect that certain expenses in the FHA related to the examination and insurance of loans and expenses in connection with claims should not exceed 35 percent of the income received by the FHA from premiums and fees collected during the preceding fiscal year. The operation of this limitation served to permit FHA to expand and contract its processing facilities as conditions warranted. As a result, FHA was able to adjust its operations to meet the needs of the home building industry and the public more adequately while at the same time protecting the Government's interests.

This authority was effective for only two fiscal years—1950 and 1951. Beginning with the fiscal year 1952, the Congress reimposed a limitation on the expenses defined in Public Law 387 at levels substantially below those permitted by the statutory formula.

*Recommendation No. 27:*

Your Subcommittee recommends that the Congress and the appropriation committees be urged to return to the principle of Public Law 387 or to develop another formula designed to achieve the objective of flexibility in the FHA's operating budget.

The objective of budgetary flexibility is in no sense incompatible with the objectives of the Administration for budgetary control. Instead, it recognizes the need of the operating agency to adjust its staff and requirements to changing workload over which the administrative agency has no control.

Any plan for budget flexibility that is developed should be surrounded by proper administrative safeguards. Within the limitation of whatever flexibility formula may be developed, the FHA should continue to request and receive quarterly apportionments from the Bureau of the Budget. The FHA in its annual budget submission to the Bureau and to the Congress should present a detailed justification of actual and estimated expenses under the flexibility formula. When marked changes occur in the volume of operations, FHA should be in the position of being able to apply to the Bureau of the Budget for a revision of the apportionment within the statutory flexibility limitation to meet the demand. The Bureau, which follows FHA's operations closely from month to month, would be in a position to act



quickly to meet the need. The reverse of this procedure would apply when the volume of business drops and a reduction in an appropriation would be in order.

One suggestion of an alternative formula to Public Law 387 is that FHA be authorized to exceed by 20 percent the approved budget amount for a given fiscal year in the event of a workload that exceeds the level of activity contemplated in the regular budget presentation. The Subcommittee believes that a formula such as this would be adequate to provide the flexibility necessary to FHA insurance operations. We are not, however, recommending any specific formula for it is our opinion that this is a subject on which agreement must be reached between the Bureau of the Budget and the appropriate standing committees of the Congress.

Exhibit 11 shows fee and premium income during recent years, the maximum amount available for operating expenses under the terms of Public Law 387, the amount of expenses authorized in annual appropriation acts, and actual expenses of the FHA.

### THE TRADE-IN HOUSE PROGRAM

Your Subcommittee is in agreement that the trade-in house program could be a significant economic force in the economy. The general recommendations contained herein—particularly that which provides for the liberalization of insured mortgage loan ratios for existing housing—should prove to be an important stimulus to the trade-in house program. There is a growing awareness on the part of both builders and lenders of the good that an effective program of this kind would achieve in upgrading the Nation's existing housing supply and in assisting individual families to adjust their housing facilities as family size and economic status change. The Subcommittee is of the opinion that the necessary legislative tools exist and that within the framework of such regulations and procedures as the FHA Commissioner may prescribe the trade-in house program will become an effective component of the mortgage insurance program.

#### *Recommendation No. 28:*

Your Subcommittee recommends that appropriate administrative steps be taken by the FHA Commissioner to permit the wider use of the trade-in house program.

### Related Recommendations

#### INTEREST AND DISCOUNT RATES

Your Subcommittee has had extended discussions with representatives of interested agencies and organizations on the broad question of



interest and discount rates as they affect the operations of the FHA and the VA. The Subcommittee is aware that this subject has been under review by the Housing Credit Facilities subcommittee which is recommending a plan providing machinery whereby rates on FHA and VA loans would be determined by a representative interagency committee. Under this plan, rates would be confirmed or revised from time to time after a careful study of the supply and demand for mortgage funds as well as other factors in the National economy.

It is the judgment of the Subcommittee that present conditions in the mortgage money market do not warrant a change in the statutory interest rate ceiling now, and indeed a change might tend to destroy the gains which the market has made toward stability in recent months.

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The attention of your Subcommittee has been drawn to a problem which exists in certain areas of the country—primarily in those States which are dependent upon outside sources of funds to meet home mortgage financing requirements. Section 504 of the Housing Act of 1950, as amended by Public Law 94, approved June 30, 1953, has been interpreted as divorcing the matter of fees and charges from the losses sustained in the marketing of loans.

Section 504 relates to both FHA-insured and VA-guaranteed loans. Under the terms of the statute, a builder may reimburse an original lender for any loss sustained by that mortgagee in the marketing of loans resulting from the sale of houses erected by that builder. Since it is impossible for the mortgagee to determine in advance whether he can sell these loans or the amount of loss that he might sustain, originating lenders are reluctant to enter into arrangements of this kind.

This creates two principal types of situations: first, with respect to FHA loans, the practical effect is that the builder has to use his local lender as a middle man—going to another FHA-approved mortgagee who will agree in advance to buy the finished loan at a discount. This procedure has resulted in the payment of heavier discounts than would be the case if builders and lenders were negotiating locally for mortgage money.

Second, in the case of VA loans, builders have been forced by the circumstances of statute and regulations to become non-supervised VA lenders, closing mortgage loans in their own offices or through the use of title companies, so that they can then be sold to permanent investors at the discount prevailing in the market.

Your Subcommittee is of the opinion that this matter should be brought to the attention of the FHA Commissioner and of the VA so that appropriate statutory amendments or regulatory changes as re-



quired may be made to eliminate one step in this complicated procedure. Simply stated, what is desired is that the builder be able to deal directly with a lender of his own choice, doing away with the necessity of having a third party in the transaction.

This suggestion is advanced as one that will benefit the builder and the home purchaser as well as the local lending institution. In the first instance, it will free the builder from a considerable amount of red tape. Secondly, the home owner will benefit through cost savings in home purchases as the discount situation would be eased. And, finally, the local financing institution would be better able to take care of local financing requirements.

#### MANDATORY BUILDER'S WARRANTY

Your Subcommittee has held extended discussions with representatives of Government agencies, labor organizations and trade associations which have an interest in the proposal for a mandatory builder's warranty in connection with Government-insured or guaranteed home mortgage financing. Evidence presented to the Subcommittee shows that the volume of home owner complaints, particularly from veteran home buyers, has fallen off very substantially in recent months. Although many complaints of the past were the direct result of the publicity arising out of the several congressional investigations and although representations by home owners were often without foundation, the investigations were extremely helpful in uncovering real deficiencies. These deficiencies, however, can best be corrected without the adoption of a mandatory builder's warranty. It should also be noted that many of the deficiencies that have been publicized dated to a time when many inexperienced builders were operating in an exceptional seller's market.

##### *Recommendation No. 29:*

Your Subcommittee recommends against the adoption of a mandatory builder's warranty in connection with Government-insured or guaranteed home mortgage financing.

The Subcommittee has learned that both FHA and VA have positive procedures to handle the complaints of home owners and to deal with the builders of homes which prove defective. Under these procedures, FHA or VA may suspend or withdraw insurance or guaranty privileges from builders who refuse to make good when it is proved that the home owner has a justifiable complaint. Special emphasis should also be given to approval of sites and to site engineering, since a large proportion of the complaints concerned such matters as drainage, rather than actual construction defects.



The Subcommittee is in general agreement with the objective to be achieved by the proposal for a mandatory builder's warranty. It is our judgment, however, that the imposition of such a warranty in connection with Government-assisted home financing would do more harm than good. The proposal has so many burdensome administrative and budgetary implications that it would be unworkable.

The suggestion has been made, and the Subcommittee believes that it would have a salutary effect, that builders should be required to file with the FHA or VA a sworn statement of substantial compliance with plans and specifications. A further suggestion which has considerable merit is that the FHA and VA should establish a procedure for the exchange of information concerning those builders with whom the respective agencies have had unsatisfactory results in the matter of satisfying justified home-owner complaints.

#### AVAILABILITY OF MORTGAGE MONEY FOR RURAL NONFARM AREAS AND SMALL COMMUNITIES

Your Subcommittee has directed its attention to the question of availability of adequate mortgage money for the home financing requirements of rural nonfarm areas. Although no precise measurement is presently available, concrete evidence of the problem is contained in the difficulties which prompted the enactment of the VA direct lending program and the fact that only 5 percent of FHA home mortgage insurance has been reported by counties with no urban communities of 10,000 or more. (See Exhibit 6.) These counties accounted for nearly one-fifth of the Nation's nonfarm dwelling units in 1950. Testimony from various witnesses confirmed that conventional financing is only slightly more readily available in these communities than is FHA- or VA-assisted financing.

Although the official definition of "nonfarm" makes a distinction between "urban" and "nonfarm" on the basis of populations above or below 2,500, the Subcommittee is of the opinion that home financing problems are essentially similar in most communities of 10,000 or less which are not within the immediate sphere of influence of larger communities.

The home financing problems of these areas stem principally from three circumstances. First, the local pools of savings are generally inadequate for substantial home financing activities. Second, major sources of funds outside the local communities are hesitant to enter these markets in adequate volume because of higher servicing costs and doubts about favorable experience in view of the relatively limited marketability of homes in smaller communities. And third, it has been suggested, that local sources of finance have generally not made aggressive effort to solve the home financing problems of their areas,



either because of inertia or lack of appreciation of the problems and opportunities that are present.

Three major steps may be noted which the Subcommittee believes will contribute to relief of the problems of home financing in smaller communities. First, the growing prefabrication industry is alert to the marketing opportunities in these communities and is developing financing techniques adapted to their needs in these areas. The forces of competition can be expected to lead to some benefits to all home financing as a result of these operations.

Second, your Subcommittee Recommendation No. 9 proposes authority for the FHA Commissioner to permit an appropriate monthly service charge in connection with Section 203 mortgages in these areas as an offset to the higher servicing costs which outside lenders would encounter in these areas as compared with operations in larger communities.

And third, Recommendation No. 1 increases the maximum amounts and repayment periods for FHA Title I modernization and improvement loans, changes which may be more than normally effective in smaller communities since these operations do not entail individual case reviews or processing by FHA.

*Recommendation No. 30:*

As a further aid, your Subcommittee recommends that FHA and VA consider the feasibility of providing special assistance to mortgagees in small communities in the preparation of application forms and exhibits required to initiate either FHA or VA case processing.

Perhaps traveling representatives, who would call on lenders in small towns periodically, would be effective in such a plan. It was also suggested that FHA investigate the possibilities of providing improved service to these smaller communities through use of local qualified appraisers and architectural inspectors on a fee basis.

The Subcommittee received two specific proposals which in the judgment of the Subcommittee are beyond the purview of our investigations. The first was a proposal that FHA-insured mortgages made by commercial banks be omitted, as are VA-guaranteed loans, in the computation of the permissible volume of real estate loans that may be made in relation to capital and surplus or savings deposits. The second was a proposal that out-of-town correspondents be permitted to purchase participation shares in the insured or guaranteed loans previously originated by commercial banks in smaller communities. Under present rules, such participation must be arranged for prior to origination of the loan. Compliance with this rule for each individual small home loan is cumbersome and unworkable.



In this connection, it is the understanding of the Subcommittee that the Subcommittee on Housing Credit Facilities has explored the question of participation loans and has found that a modest number of such transactions has taken place.

As a measure which may assist in stimulating the flow of home mortgage funds into small communities, we wish to join the Housing Credit Facilities Subcommittee in recommending that appropriate amendments be made to the regulations of the Federal Housing Administration and of the Veterans' Administration, relating to loans guaranteed under the Servicemen's Readjustment Act, so as to permit and encourage the origination and sale of participations in individual mortgages.

### HOUSING FOR MINORITY GROUPS

Your Subcommittee has devoted very considerable thought and attention to the problem of improving the housing of minority groups, both as to standards of quality and general increase in the number of available units. It is our judgment that the liberalizations in the statutory requirements for the insurance of mortgage loans under Section 203 of the National Housing Act will serve to assist minority groups in obtaining more adequate housing to a very substantial degree. The schedule of smaller down payments recommended for Section 203 mortgage loans, together with the recommendation to put down payments on existing housing on a par with new construction, should go a long way toward improving housing availability and housing standards for minority group families.

Since a large part of minority group families are in the lower income brackets, a program designed to facilitate the acquisition by such families of sound or reconditioned existing housing of lower cost will be, we believe, the one most likely to succeed in serving effectively to meet the practical needs of such families. This was a major consideration influencing your Subcommittee's recommendation that the lower down payment schedules for new housing be made applicable to existing housing.

Your Subcommittee heard testimony of the progress being made by the FHA in providing insured mortgage financing for housing for nonwhite families. Not only has FHA expanded its staff of personnel assigned to minority housing problems, but also FHA has engaged in several studies and market analyses which have pointed up the problems that exist and the possibilities for solution.

Statistical data show the marked rise in family incomes of minority groups in recent years. It has also been demonstrated that minority group families have proved to be satisfactory credit risks. It is the



judgment of the Subcommittee that these data should be made available more widely in an effort to overcome the reluctance of builders and lenders.

### COMMUNITY FACILITIES

The Subcommittee has reviewed the activities of the Housing and Home Finance Agency in making loans and grants for the provision of defense community facilities and services in critical defense housing areas. Title III of Public Law 139 under which this program has gone forward expires on June 30, 1954. Approximately \$20 million was appropriated to the Administrator and some \$4.6 million to the Public Health Service. These funds have been used to assist some 100 communities in providing essential facilities, primarily water and sewer projects.

#### *Recommendation No. 31:*

Your Subcommittee is of the opinion that any remaining defense-related needs for community facilities should be apparent at this time and should be accommodated prior to the scheduled expiration date of Title III of Public Law 139.

Exhibit 12 shows the number and dollar amount of loans and grants by type of project assisted under this program.

### The VA Home Loan Guaranty System

The program of home loan guaranties for veterans has in less than 10 years come to play a significant role in home mortgage financing. The program was authorized under the terms of the Servicemen's Readjustment Act of 1944, generally referred to as the GI Bill of Rights. From the time the program was started until the end of September 1953, more than 3.1 million veterans have had their home loans guaranteed or insured by the Veterans' Administration. These loans were in a principal amount of \$20.7 billion and the guaranty or insurance amounted to about \$11.1 billion. It is estimated that at the end of September 1953, approximately \$15.3 billion of principal balances was outstanding.

Up to the present time defaults have not been significant. Only about 17,000 claims have been paid and some 11,600 properties acquired, while almost half a million guaranteed loans have been paid in full. Loans on which claims have been paid are equal to only one-half of 1 percent of total loans closed.

There is attached as Exhibit 13 a brief summary of the home loans guaranteed or insured by the VA. This statement also includes a



record of home loan applications and loan closings by years and a summary of property management activities.

In addition to the guaranty program, to enable veterans to purchase homes in areas where mortgage money is in short supply, a program of direct loans was authorized. As shown in Exhibit 14, by the end of September 1953, some 38,000 veterans had received direct home loan assistance amounting to just over a quarter of a billion dollars.

#### POTENTIAL LIABILITY OF VA PROGRAM

Your Subcommittee is impressed by the fact that the outstanding volume of loans which have been guaranteed or insured by the VA is at the present time just about equal to the outstanding insurance liability of the FHA. This has given rise to concern over the contingent liability to the Federal Treasury. While the FHA, in accordance with the statutory provisions of the National Housing Act, charges an insurance premium and is accumulating reserves with which to meet losses, no similar provision exists in connection with the veterans program. Furthermore, the FHA insurance contract provides for payment in debentures upon default of insured mortgages, while the VA meets its claims by cash payments.

Your Subcommittee has considered the desirability of establishing a reserve to support future losses in the VA program. Some witnesses have suggested that a reserve equivalent to one-half of 1 percent of the amount of loans guaranteed should be provided by annual appropriation.

Another proposal presented to the Subcommittee is that in order to reduce the potential cash exposure of the Treasury to loss, the VA program should be put on the same type of debenture settlement basis as the FHA follows today. This would serve, in the event of a severe real estate depression, to permit the Federal Government to meet the liability for losses in the VA home loan guaranty program by issuing debentures in exchange for defaulted mortgages—instead of forcing the Treasury to enter an unfavorable market to sell obligations to get the money to pay off claims in cash.

Both the FHA and the VA have been administering their programs during an almost constantly rising real estate market. For this reason, it is difficult to estimate the true extent of the contingent liability of the Government by virtue of the mortgage insurance and guaranty programs of the two agencies.

In the time available to your Subcommittee, it has not been possible to arrive at a conclusion of what should be done about the potential liability of the VA program. We are aware that the Subcommittee on Housing Credit Facilities has also explored this matter in connec-



tion with their investigations and we join in their recommendation that a study be made. On the basis of such a study, the Administration would be able to recommend to the Congress an appropriate course of action.

*Recommendation No. 32:*

Your Subcommittee recommends that an objective and independent long-range study be made of the loss that may reasonably be anticipated on the loans subject to partial guaranty or insurance by the Veterans' Administration under the provisions of the Servicemen's Readjustment Act of 1944.

This recommendation of your Subcommittee is in accord with the position which we have taken in connection with the reserve position of the FHA as discussed in an earlier section of this report.

### OPERATIONS OF THE VA HOME LOAN GUARANTY PROGRAM

Your Subcommittee has devoted a considerable amount of time to the administration and operation of the home loan guaranty program. We have met with representatives of the principal national veterans organizations as well as with builders and lenders and officials of the Federal agencies intimately connected with the program. These discussions and meetings have produced an abundance of criticism of the program and many recommendations for full or partial merger or consolidation of the FHA and VA programs.

In our meetings with representatives of the national veterans organizations, we learned that those groups are, by and large, committed to the single veteran agency concept and are inclined to look upon the divorcement of the home loan guaranty program as a step toward further dismemberment of the Veterans' Administration. These representatives also advised your Subcommittee that there would have to be a showing of substantial and significant benefits in terms of cost savings and service to the veteran to bring about a change in this attitude.

In order to find the primary sources of the troubles that had been related to the Subcommittee, to provide the documentation desired by the veterans organizations and to assist the Subcommittee in arriving at a reasonable and proper conclusion, we undertook a nationwide survey of home builders and home mortgage lenders. This survey was designed to provide the Subcommittee with a body of factual information and to identify the particular areas of duplication and overlapping between the two systems that have caused the reported concern of builders and lenders.



As a further step, two consultants were employed on behalf of the Subcommittee to conduct investigations in the field, to evaluate the results of the special survey, and to provide advice and recommendations for the benefit of the members of the Subcommittee.

### RESULTS OF THE SURVEY

The survey conducted by your Subcommittee showed that major variations between FHA and VA are to be found at almost every stage of operations. Although the 2 programs are basically similar, the 2 agencies vary widely in market analysis, land planning and construction requirements, and in appraisal and inspection standards.

The principal objections as shown by the survey are:

1. The time required to secure VA appraisals and Certificates of Reasonable Value. The survey showed that on the average it takes twice as long to get a CRV from the VA field office than it does to get an FHA commitment. Many commented that VA appraisals are unrealistic, making no allowance for refinements in building products or planning, and forcing builders to leave out popular items demanded by veteran purchasers. The result has been the production of a minimum house unacceptable to many veterans. Some respondents claimed that the trouble with VA appraisals goes directly to the fact that the VA field service does not have the kind of cost section that FHA maintains for purposes of accurate and constant compilation of cost data.

2. The time and expense involved in submitting duplicate materials to the two agencies where dual commitments are sought. Many reported that VA insists on additional documents and exhibits not required by the FHA. This is particularly true in connection with VA's new subdivision requirements. Inasmuch as VA field offices are not staffed with personnel technically qualified to pass on subdivision plans, they require that a professional engineer independent of the engineering firm employed by the developer pass on and approve subdivision proposals. This requirement entails considerable additional expense and loss of time to the developer who tries to build for both the FHA and VA market.

3. The wide variance in the application of Minimum Property or Construction Requirements by the FHA and VA offices. Major variations were reported by more than 60 percent of the respondents. Many volunteered the comment that this has produced an almost impossible situation from the standpoint of stability of building operations and often leads to substantial added costs. There were many additional complaints to the effect that VA field personnel are not consistent in applying these standards.



4. Wide variations between FHA and VA construction cost estimates and determination of improved lot values. One-third of those responding to the survey stated that the conflicting procedures of the two agencies decreased the availability of funds locally for investment in home mortgage loans.

5. The delay in getting final VA inspections. Not only does VA require an additional final inspection in many cases after FHA has already made inspections, but extended delays in getting this final VA inspection made often postpones loan closing and possession by the veteran purchaser.

6. The inability of VA to handle a general escrow in connection with a housing project. This causes considerable delay and additional costs in preparing individual escrows for each property in a development.

7. The additional costs resulting from duplication and conflict of procedures. As shown in the following table, most builders and lenders responding to the survey reported that additional costs were present. Many volunteered the obvious comment that these additional costs, as well as other items of indirect costs, are always passed on to the veteran purchaser.

*Estimates of Increased Cost Caused by Duplication and Conflict of Procedures between FHA and VA*

Amount of added cost :	<i>Percent of responses</i>
None.....	13
\$1-\$9.....	8
\$10-\$19.....	7
\$20-\$49.....	21
\$50-\$99.....	22
\$100-\$199.....	18
\$200 or more.....	11
	100

The survey showed, too, that the faults were not all on the VA side. In some areas, the VA is preferred over the FHA even in the presence of some added cost factors. Some builders reported that VA inspectors being fee personnel spotted all over an area were often able to give faster service in outlying communities than FHA salaried appraisers or inspectors who had to travel long distances. In some areas, the FHA office was charged with not giving as good service as the VA office. A few held that FHA appraisals were not as realistic as VA appraisals. These comments were in the smallest minority. Nevertheless, your Subcommittee is of the opinion that the Administrator should take up these matters with the FHA Commissioner, so that any areas of weakness in FHA field operations may be corrected.



## PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

The net result of the duplication and overlapping between the systems of home mortgage loan insurance and home loan guaranty has been the progressive discouragement of home builders and lenders to participation in the respective programs. In responding to the survey conducted by your Subcommittee, some few builders have reported that they were abandoning the use of FHA mortgage insurance. On the other hand, many builders and lenders volunteered that they had long ago completely stopped participation in the VA home loan guaranty program. In addition, evidence has been presented to the Subcommittee that the vast majority of small builders throughout the country have long since stopped producing homes for sale to veterans.

These small builders, who normally have limited access to sources of financing and who work on a small margin of profit, have been unable to maintain efficient operations when faced with the many delays and added cost factors that have beset their efforts to produce homes for veterans under the VA home loan guaranty program.

Not all large builders have as yet abandoned the VA program although many of them have indicated that they propose to do so unless the present difficulties are corrected. In some areas, however, the large-scale builder that continues to operate under the VA program is doing so under protest. The responses to the survey of your Subcommittee show an increasing amount of irritation with VA procedures and requirements. They report that the increased cost of doing business with the VA is in all cases passed on to the veteran purchaser.

The veteran himself is pretty much removed from the operations of the VA home loan program. The matters discussed here are of a rather technical nature and not understood by the average citizen. All that the veteran knows is that he was not able to purchase a given home, or that it took him a long time to consummate the purchase, or that the home he succeeded in purchasing cost more than it should have. It is impossible, of course, to estimate the number of veterans who have been denied homes as a result of these difficulties or to estimate accurately the total of additional costs that have been added to the purchase price.

### CONCLUSION

It is the judgment of your Subcommittee that the underlying purpose of the home loan guaranty program is to enable the veteran to get a home with favorable mortgage financing. Starting from this premise, we have had extended discussions over the best method of giving effect to the manifest congressional intent.



We believe that this method is embodied in the following recommendation:

*Recommendation No. 33:*

Your Subcommittee recommends that the President direct the Administrator of the Housing and Home Finance Agency, the Administrator of Veterans' Affairs, and the Commissioner of the Federal Housing Administration to work out an interagency agreement under which the Veterans' Administration would contract with the Federal Housing Administration to perform the technical functions of processing veterans' home loan applications under the present home loan guaranty program.

This recommendation is designed to have one agency of the Federal Government charged with the administration of the functions of market analysis; land planning requirements; valuation and appraisal; minimum property and construction standards; and property inspection.

The interagency agreement should remain in force from year to year until canceled by mutual agreement, or by either party upon adequate notice in writing by either party to the other.

Your Subcommittee recommends that an Assistant Commissioner, who should be a veteran, be designated by FHA to supervise these operations and to maintain liaison with the Assistant Administrator for Veterans Benefits (Loan Guaranty).

The Subcommittee is aware of the fact that the Loan Guaranty Service has been given a more prominent stature in the VA organization. It is our opinion that the Loan Guaranty Service should retain this stature even after the technical processing functions are transferred for operation within the framework of the Housing and Home Finance Agency. The Assistant Administrator for Veterans Benefits (Loan Guaranty) would be responsible not only for the program of direct loans, the guaranty of business loans and farm loans, and for the program of grants to assist paraplegic veterans in acquiring specially constructed homes, but also for the many significant functions which the Loan Guaranty Service would continue to perform in the home loan guaranty program. These include the certification of the eligibility of veterans; liaison with the Federal Housing Administration; issuance of home loan guaranties; and loan servicing, payment of claims, etc.

Since this recommendation goes only to the delegation of the processing functions without any change in the existing statute governing the home loan guaranty program, the criterion of "Reasonable Value" must be applied. In the negotiation of the mutual



agreement between the two agencies due consideration should be given to the realistic application of this criterion.

Many persons appearing before your Subcommittee, including representatives of veterans organizations, have argued that the sales price control feature of the home loan guaranty program is not as significant a factor today as it was in the immediate postwar period. To the extent that sales price control serves to protect the veteran and to control to some extent the management of liberal credit, there can be no argument that it does not serve a purpose.

It has been brought to our attention, however, that in many instances throughout the country the sales price-control feature of the present VA program has served to prevent many veterans from acquiring homes, or the type and quality of homes they sought to purchase. It has also been one of the factors which has prompted many builders to abandon the home loan guaranty program. It is our judgment that sales price control must be applied realistically to assure the cooperation of all parties participating in the home loan guaranty program.

Your Subcommittee is of the opinion that this recommendation will be acceptable to the greatest number of individuals and organizations interested in the home loan guaranty program. It is our judgment, confirmed and supported by the consultants employed on behalf of the Subcommittee, that this is a feasible step to be taken at this time. We believe that the homeseeking portion of the veteran public will be well-served under the proposed arrangement. It is our belief that with the present sources of irritation, delay, and added costs removed, reputable builders will go forward with the production of an adequate supply of good housing for sale to eligible veteran purchasers at fair prices. This, certainly, is the objective of the program.

Our recommendation should serve to remove the fears often expressed by the representatives of veterans organizations. The suggested arrangement leaves the Veterans' Administration intact, preserving its basic responsibility for certifying eligibility of veterans, for guaranteeing home loans for veterans and for servicing such loans. The Subcommittee recommendation relates solely to the series of technical functions over which the individual veteran has never had any control. These are primarily builder relationships with the processing agency and its representatives. It should be apparent to veterans groups that to have all processing done by one agency will serve to eliminate the added costs of dealing with two agencies and, in the long run, to make more homes available to veterans at lower costs.



## EXHIBIT 1

INDIVIDUALS WHO HAVE APPEARED BEFORE THE SUBCOMMITTEE ON  
FHA AND VA HOUSING PROGRAMS AND OPERATIONS

- Asher Achinstein, Council of Economic Advisers.
- Richard H. Adams, Budget Examiner, Bureau of the Budget.
- J. Stanley Baughman, President, Federal National Mortgage Association.
- R. D. Beynon, Director, Real Property Management, Department of Defense.
- George L. Bliss, President, Century Federal Savings and Loan Association, New York; Chairman, Subcommittee on Housing Credit Facilities.
- Burton C. Bovard, General Counsel, Federal Housing Administration.
- J. Olney Brott, General Counsel, American Bankers Association.
- S. Perry Brown, Past National Commander, American Legion.
- Wallace J. Campbell, Director, Washington Office, the Cooperative League of the United States of America.
- Norman Carpenter, Second Vice President, Metropolitan Life Insurance Co.
- Robert W. Clemens, Houston, Tex.
- Herbert S. Colton, General Counsel, National Association of Home Builders.
- J. Wendell Coombs, Allied Building Credits, Inc., Los Angeles, Calif.
- Bryce Curry, Research Assistant, National Savings and Loan League.
- Harry H. Cutler, Editor, The Magazine of Prefabrication.
- John Dervan, Attorney, Loan Guaranty Service, Veterans' Administration.
- John M. Dickerman, Executive Director, National Association of Home Builders.
- Adin M. Downer, Assistant Legislative Representative, Veterans of Foreign Wars of the United States.
- Benjamin Fischer, Director, National Housing Committee, Congress of Industrial Organizations.
- Franklin G. Floete, Assistant Secretary of Defense (Properties and Installations).
- Raymond M. Foley, Housing Consultant, Washington, D. C.
- Arthur J. Frentz, Assistant Commissioner, Title I Division, Federal Housing Administration.
- Walter Gehrke, President, First Federal Savings and Loan Association of Detroit.
- Walter J. Gill, National Association of Real Estate Boards, Newark, N. J.
- Arthur S. Goldman, Market Research Director, the Magazine of Building.
- Walter L. Greene, Deputy Commissioner, Federal Housing Administration.
- Albert Gross, Gross-Morton Corp., New York, N. Y.
- William B. F. Hall, President, Prefabricated Home Manufacturers' Institute.
- Harry Held, Vice President, the Bowery Savings Bank, New York.
- Guy T. O. Hollyday, Commissioner, Federal Housing Administration.
- Dr. Frank S. Horne, Assistant to the Administrator, Office of the Administrator, HHFA.
- R. G. Hughes, First Vice President, National Association of Home Builders, Member, Subcommittee on Housing Credit Facilities.
- Omar B. Ketchum, Director, National Legislative Service, Veterans of Foreign Wars of the United States.
- T. B. King, Acting Assistant Deputy Administrator (Loan Guaranty), Veterans' Administration.
- David L. Krooth, Member, FHA Advisory Committee on Cooperative Housing.
- Curt C. Mack, Assistant Commissioner Underwriting Division, Federal Housing Administration.
- Graham Macmillan, Assistant General Manager, Mortgage Loan and Real Estate Investment Department, the Prudential Life Insurance Co.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

James McEwan, Loan Guaranty Service, Veterans' Administration.

Joseph B. McGrath, Assistant Director, Legislative Department, National Association of Home Builders.

John Mitchell, Office of the Assistant Secretary of Defense (Properties and Installations).

M. K. M. Murphy, Vice Chairman, Legislative Committee, United States Savings and Loan League.

Samuel E. Neel, General Counsel, Mortgage Bankers Association.

Thomas Nimms, Secretary, Savings and Mortgage Division, American Bankers Association.

General John O'Brien, Vice President, Prefabricated Home Manufacturers' Institute.

Orvil R. Olmsted, Assistant Commissioner for Management and Disposition, Public Housing Administration.

Albert A. Payne, Executive Secretary, National Association of Real Estate Boards.

Roland Perotti, Washington Representative, Bank of America, San Francisco, Calif.

William Pflieger, Budget Examiner, Bureau of the Budget.

Clyde L. Powell, Assistant Commissioner, Rental Housing Division, Federal Housing Administration.

Perry I. Prentice, Editor and Publisher, the Magazine of Building.

Joseph E. Reeve, Fiscal Analyst, Bureau of the Budget.

John Reilly, Chairman, Committee on Mortgage Financing and Urban Housing, American Bankers Association.

Franklin D. Richards, Franklin D. Richards and Associates, Inc., Washington, D. C.

Winfield W. Riefler, Assistant to the Chairman, Federal Reserve Board.

Bert Seidman, Staff Economist, American Federation of Labor.

Pere F. Seward, Assistant Commissioner, Division of Community Facilities and Special Operations, Office of the Administrator, HHFA.

Herbert J. Snodgrass, Chairman, National Housing Committee, Veterans of Foreign Wars of the United States.

Harry H. Steidle, Manager, Prefabricated Home Manufacturers' Institute.

Thomas J. Sweeney, Loan Guaranty Service, Veterans Administration.

Merton B. Tice, Senior Vice Commander-in-Chief, Veterans of Foreign Wars of the United States.

Carroll A. Towne, Chief, Community Operations Production Division, Atomic Energy Commission.

Lawson M. Watts, Vice President, First National Bank in St. Louis, St. Louis, Mo.

Bernard Weitzer, National Legislative Director, Jewish War Veterans of the United States.

Burton O. Young, Director, Defense Programs Branch, Office of the Administrator, HHFA.



APP. 1—SUBCOMMITTEE ON FHA-VA PROGRAMS

MORTGAGES AND LOANS INSURED BY FHA, 1935-JUNE 30, 1953, AND STATUS OF THE PROGRAMS AS OF JUNE 30, 1953

(Dollar amounts in thousands)

Year	All programs		Home mortgage insurance programs		Project mortgage insurance programs		Property improvement loans insurance program <sup>1</sup>		Manufactured housing loans insurance program <sup>2</sup>	
	Amount <sup>1</sup>	Number	Amount	Units	Amount	Units	Number	Amount	Number	Units
Insurance written:										
1934	\$27,406	23,397	\$86,882	25,453	\$2,355	738	72,658	\$27,406		
1935	297,495	77,231	308,945	83,920	2,101	624	635,747	201,258		
1936	532,581	102,076	424,873	110,850	10,483	3,023	617,697	221,535		
1937	489,200	115,124	485,812	122,160	47,638	11,930	124,788	54,344		
1938	671,533	164,530	694,764	171,232	51,851	13,462	376,480	138,143		
1939	925,262	177,400	762,084	182,974	12,949	3,559	502,308	178,647		
1940	991,174	210,310	910,770	215,777	21,215	5,842	653,841	216,142		
1941	1,152,342	223,562	973,271	235,766	84,622	20,179	680,104	228,007		
1942	1,120,839	166,402	763,097	189,733	244	84,622	427,534	126,354		
1943	933,986	146,974	707,363	157,138	307,826	86,267	307,826	86,267		
1944	877,472	96,776	474,245	103,378	56,096	12,430	389,615	114,013		
1945	664,985	80,872	421,949	85,751	19,817	4,058	501,441	170,923		
1946	755,778	141,364	894,675	150,091	13,175	2,232	799,304	320,654		
1947	1,788,264	300,034	2,116,043	320,725	359,944	46,604	1,247,613	533,645		
1948	3,340,865	305,705	2,269,842	319,506	608,711	79,184	1,357,386	614,239		
1949	3,826,283	342,582	2,492,367	351,528	1,021,231	133,135	1,246,254	593,744		
1950	4,343,378	252,642	1,928,433	261,231	1,583,774	154,597	1,447,101	693,761		
1951	3,219,836	234,426	1,942,307	246,109	321,911	74,297	1,437,764	707,070		
1952	3,112,782	135,319	1,167,932	141,389	321,911	39,839	1,495,741	848,327		
1,770,673					119,846	14,276	818,064	482,757		
30,842,196	3,296,726	19,772,154	3,474,711	623,600	4,507,965	15,139,236	6,557,236	4,842	1,810	
Mortgages and notes insured <sup>1</sup> :							(Data below includes home loans)			
Mortgages terminated <sup>3</sup>	7,109,160	1,396,201	6,712,852	165	391,005	78,634	( <sup>4</sup> )	( <sup>4</sup> )	590	1,754
Mortgages in force <sup>4</sup>	17,049,191	1,854,410	12,932,692	19,324	4,116,360	545,026	( <sup>4</sup> )	( <sup>4</sup> )	13	56
Amortization <sup>5</sup>	1,725,484		1,562,077		103,407		( <sup>4</sup> )	( <sup>4</sup> )		
Insurance in force	16,669,897	1,854,410	11,370,615	19,324	3,952,953	545,026	( <sup>4</sup> )	( <sup>4</sup> )	13	56
Properties, mortgages or notes acquired <sup>6</sup>	217,958	15,159	92,551	18,315	124,352	19,990	( <sup>4</sup> )	( <sup>4</sup> )	67	370
Properties, mortgages or notes sold <sup>6</sup>	104,629	13,671	81,981	16,435	22,022	5,725	( <sup>4</sup> )	( <sup>4</sup> )	65	269
Properties, mortgages or notes on hand <sup>6</sup>	113,328	1,488	10,569	1,880	102,330	14,265	( <sup>4</sup> )	( <sup>4</sup> )	2	101
Net less to insurance fund <sup>7</sup>	75,481		5,069		\$ 181		70,180		429	413

<sup>1</sup> Component parts may not add to indicated totals because of negative adjustments or rounding of numbers. <sup>2</sup> Pursuant to Sec. 2, Title I. <sup>3</sup> Pursuant to Sec. 609, Title VI. <sup>4</sup> Not available. <sup>5</sup> Excludes property improvement loans. <sup>6</sup> Included in mortgages terminated. <sup>7</sup> Applies only to properties and notes disposed of.

Source: Federal Housing Administration.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

EXHIBIT 2—Continued  
Home Mortgages Insured by FHA, 1935-June 1953, and Status of the Programs as of June 30, 1953

[Dollars amount in thousands]

Year	Home mortgage programs total <sup>1</sup>			Title I—secs. 2 and 3			Title II											
	Number	Amount	Units	Number	Amount	Units	Number	Amount	Units	Sec. 203			Sec. 213					
										Number	Amount	Units	Number	Amount	Units	Number	Amount	Units
Insurance written:																		
1935.....	23,397	\$93,882	25,453															
1936.....	77,231	308,945	83,920															
1937.....	102,076	424,373	110,820															
1938.....	115,124	485,812	122,160	5,815	\$12,566	5,815												
1939.....	164,530	694,764	171,232	10,783	25,318	10,783												
1940.....	177,400	762,084	182,974	9,107	25,593	9,107												
1941.....	210,310	910,770	215,777	7,733	20,632	7,733												
1942.....	223,562	973,271	235,766	5,221	14,810	5,221												
1943.....	166,402	763,097	180,733	335	927	335												
1944.....	146,974	707,363	157,138															
1945.....	96,776	474,245	103,378															
1946.....	80,872	421,949	85,751															
1947.....	141,364	894,675	150,091															
1948.....	300,031	2,116,043	320,725	2,390	7,374	2,390												
1949.....	305,705	2,200,842	319,506	3,284	13,280	3,284												
1950.....	342,582	2,492,367	351,528	1,759	7,428	1,759												
1951.....	252,642	1,928,433	261,231	6,152	28,729	6,152												
1952.....	234,426	1,942,307	246,109	5,815	30,108	5,815												
1953.....	135,319	1,167,932	141,389	2,266	11,493	2,266												
January-June 1953.....	3,296,726	19,772,154	3,474,711	60,584	198,011	60,584												
Data as of June 30, 1953:																		
Mortgages insured <sup>1</sup> .....				(Data below excludes Sec. 2 mortgages)														
Mortgages terminated.....	1,396,201	6,712,852	165	156	705	156												
Mortgages in force.....	1,854,410	12,932,692	19,324	14,313	70,696	14,313												
Amortization.....		1,562,077			2,476													
Insurance in force.....	1,854,410	11,370,615	19,324	14,313	68,220	14,313												
Properties acquired <sup>2</sup> .....	15,159	92,551	18,315	5	24	5												
Properties sold <sup>2</sup> .....	13,671	81,981	16,435															
Properties on hand <sup>2</sup> .....	1,488	10,569	1,880	5	24	5												
Net loss to insurance fund <sup>3</sup> .....		5,069																

<sup>1</sup> Component parts may not add to indicated totals because of negative adjustments.  
<sup>2</sup> Included in mortgages terminated.  
<sup>3</sup> Applies only to properties sold.











	Title VI (continued)						Title VIII—Sec. 803			Title IX—Sec. 908		
	Secs. 608-610			Sec. 611—Projects			Number	Amount	Units	Number	Amount	Units
	Number	Amount	Units	Number	Amount	Units						
Insurance written:												
1948.....	6	\$2,849	1,366									
1949.....	8	3,608	1,435	3	\$1,650	275		\$12,071		1,540		
1950.....	8	1,808	1,104	5	2,877	473		123,052		15,129		
1951.....	1	35	10	13	5,832	966		205,653		25,683		
1952.....				1	706	125		135,842		17,233		3,207
January-June 1953.....				3	926	145		44,919		5,630		1,661
Data as of June 30, 1953:												
Mortgages insured <sup>1</sup> .....	23	8,360	3,915	25	11,991	1,984		521,536		65,215		4,868
Mortgages terminated.....	5	1,743	970	19	9,305	1,563		521,536		65,215		4,868
Mortgages in force.....	18	6,617	2,945	6	2,686	421						
Amortization.....		715			22			5,224				35
Insurance in force.....	18	5,902	2,945	6	2,664	421		516,312		65,215		4,868
Projects acquired <sup>2</sup> .....												
Projects sold <sup>3</sup> .....												
Projects on hand <sup>3</sup> .....												
Net loss to insurance fund <sup>4</sup> .....												

<sup>1</sup> Increase in amount of mortgage insured prior to 1947.

<sup>2</sup> Component parts may not add to the indicated totals because of negative adjustments or rounding of numbers.

<sup>3</sup> Included in mortgages terminated. Data covers mortgage notes assigned to FHA as well as property titles acquired by FHA.

<sup>4</sup> Applies only to properties sold.

<sup>5</sup> Represents excess retained by fund.

Source: Federal Housing Administration.



## EXHIBIT 3

## STEPS BEING TAKEN TO ELIMINATE ABUSE IN THE FHA TITLE I REPAIR AND IMPROVEMENT PROGRAM

The insurance of repair and improvement loans under the provisions of Title I of the National Housing Act is a mass volume operation. Last year approximately 2,000,000 repair loans averaging \$500 each were reported to the Federal Housing Administration for insurance by approximately 8,000 active lending institutions and their branches.

In administering this operation the FHA vigorously opposes the irregular practices of a relatively few unscrupulous dealers and salesmen who have taken advantage of the basic "good faith" concept on which the program is founded.

With the objective of eliminating any misuse or misrepresentation and at the same time maintaining a practical lending operation, the Commissioner has amended the Title I Regulations to:

1. Require that approval of the dealer by the lending institution be evidenced by an application signed and dated by the dealer on a form furnished by the Administration. The lending institution must investigate all dealers from whom it has not purchased notes during the past 12 months and must certify that it has found the dealer to be reliable, financially responsible and qualified to perform satisfactorily the work to be financed and to extend proper service to the customer.

2. Require that the lending institution maintain a loan record of its experience with its approved dealers that will reflect the volume of loans purchased, losses sustained and any complaints or irregularities. Such record shall be considered in determining the future financial relationship with the dealer and shall be available for inspection by the FHA.

3. Require the lending institution to deliver a notice to the borrower of the approval of his credit application at least 6 calendar days prior to disbursing the note proceeds to the dealer. The purpose of this notice is to inform the homeowner of the basic terms of the proposed credit and to give him an opportunity to contact the lending institution if he has any question regarding the transaction.

4. Make a loan ineligible for insurance if the lending institution has knowledge that as an inducement for the consummation of the transaction the borrower has been given or promised a cash payment or rebate or it has been represented to the borrower that he will receive a cash bonus or commission on future sales.



5. Require the dealer to certify in his Completion Certificate, that the borrower has not been given a cash bonus or promised a cash payment or rebate nor has it been represented to the borrower that he will receive a cash bonus or commission on future sales as an inducement for the consummation of the transaction. The dealer must also certify that all bills for labor and materials have been or will be paid and that if any of the representations appearing on the Completion Certificate prove incorrect, the dealer will promptly repurchase the note.

In addition to the above amendments to the regulations, the following administrative steps have been or are being taken:

a. The Administration's investigating staff as well as supervising staff has been strengthened so as to more promptly investigate and correct reported abuses or irregularities of dealers and salesmen as well as lax lending practices on the part of lending institutions.

b. Efforts are being intensified to assure that lending institutions weed out irresponsible dealers and salesmen. Failure to do so will result in cancellation of Insurance Contract.

c. The Directors of all field offices, personally and through designated staff assistants, are being directed to promptly correct any irregular practices that may develop in their area.

d. The cooperation of Better Business Bureaus, various civic groups, trade and financial organizations will be enlisted in correcting local situations.

Memorandum prepared by the FHA at the request of the Subcommittee on FHA & VA Housing Programs & Operations.

Program	Type of mortgage	Type of insurance	Maximum mortgage amount	Maximum mortgage amount with VA guarantee	Maximum mortgage amount with VA guarantee and FHA insurance
1-1	1-1	1-1	1-1	1-1	1-1
1-2	1-2	1-2	1-2	1-2	1-2
1-3	1-3	1-3	1-3	1-3	1-3
1-4	1-4	1-4	1-4	1-4	1-4
1-5	1-5	1-5	1-5	1-5	1-5
1-6	1-6	1-6	1-6	1-6	1-6
1-7	1-7	1-7	1-7	1-7	1-7
1-8	1-8	1-8	1-8	1-8	1-8
1-9	1-9	1-9	1-9	1-9	1-9
1-10	1-10	1-10	1-10	1-10	1-10
1-11	1-11	1-11	1-11	1-11	1-11
1-12	1-12	1-12	1-12	1-12	1-12
1-13	1-13	1-13	1-13	1-13	1-13
1-14	1-14	1-14	1-14	1-14	1-14
1-15	1-15	1-15	1-15	1-15	1-15
1-16	1-16	1-16	1-16	1-16	1-16
1-17	1-17	1-17	1-17	1-17	1-17
1-18	1-18	1-18	1-18	1-18	1-18
1-19	1-19	1-19	1-19	1-19	1-19
1-20	1-20	1-20	1-20	1-20	1-20
1-21	1-21	1-21	1-21	1-21	1-21
1-22	1-22	1-22	1-22	1-22	1-22
1-23	1-23	1-23	1-23	1-23	1-23
1-24	1-24	1-24	1-24	1-24	1-24
1-25	1-25	1-25	1-25	1-25	1-25
1-26	1-26	1-26	1-26	1-26	1-26
1-27	1-27	1-27	1-27	1-27	1-27
1-28	1-28	1-28	1-28	1-28	1-28
1-29	1-29	1-29	1-29	1-29	1-29
1-30	1-30	1-30	1-30	1-30	1-30
1-31	1-31	1-31	1-31	1-31	1-31
1-32	1-32	1-32	1-32	1-32	1-32
1-33	1-33	1-33	1-33	1-33	1-33
1-34	1-34	1-34	1-34	1-34	1-34
1-35	1-35	1-35	1-35	1-35	1-35
1-36	1-36	1-36	1-36	1-36	1-36
1-37	1-37	1-37	1-37	1-37	1-37
1-38	1-38	1-38	1-38	1-38	1-38
1-39	1-39	1-39	1-39	1-39	1-39
1-40	1-40	1-40	1-40	1-40	1-40
1-41	1-41	1-41	1-41	1-41	1-41
1-42	1-42	1-42	1-42	1-42	1-42
1-43	1-43	1-43	1-43	1-43	1-43
1-44	1-44	1-44	1-44	1-44	1-44
1-45	1-45	1-45	1-45	1-45	1-45
1-46	1-46	1-46	1-46	1-46	1-46
1-47	1-47	1-47	1-47	1-47	1-47
1-48	1-48	1-48	1-48	1-48	1-48
1-49	1-49	1-49	1-49	1-49	1-49
1-50	1-50	1-50	1-50	1-50	1-50



EXHIBIT 4

PROPOSED SCHEDULE OF MAXIMUM INSURABLE LOANS FOR FHA  
SEC. 203 OPERATIONS

FHA estimate of value	Maximum insurable mortgage <sup>1</sup>	Loan-value ratio (percent)	Minimum down payment	Down payment ratio (percent)
\$5,000	\$4,750	95.0	\$250	5.0
6,000	5,700	95.0	300	5.0
7,000	6,650	95.0	350	5.0
8,000	7,600	95.0	400	5.0
9,000	8,350	92.8	650	7.2
10,000	9,100	91.0	900	9.0
11,000	9,850	89.5	1,150	10.5
12,000	10,600	88.3	1,400	11.7
13,000	11,350	87.3	1,650	12.7
14,000	12,100	86.4	1,900	13.6
15,000	12,850	85.7	2,150	14.3
16,000	13,600	85.0	2,400	15.0
17,000	14,350	84.4	2,650	15.6
18,000	15,100	83.9	2,900	16.1
19,000	15,850	83.4	3,150	16.6
20,000	16,600	83.0	3,400	17.0
21,000	17,350	82.6	3,650	17.4
22,000	18,100	82.3	3,900	17.7
23,000	18,850	82.0	4,150	18.0
24,000	19,600	81.7	4,400	18.3
25,000	20,350	81.4	4,650	18.6
26,000	21,100	81.2	4,900	18.8
27,000	21,850	80.9	5,150	19.1
28,000	22,600	80.7	5,400	19.3
29,000	23,350	80.5	5,650	19.5
30,000	24,100	80.3	5,900	19.7
31,000	24,850	80.2	6,150	19.8
32,000	25,600	80.0	6,400	20.0
33,000	26,350	79.8	6,650	20.2
34,000	27,100	79.7	6,900	20.3
35,000	27,850	79.6	7,150	20.4
36,000	28,600	79.4	7,400	20.6
37,000	29,350	79.3	7,650	20.7
38,000	30,100	79.2	7,900	20.8
39,000	30,850	79.1	8,150	20.9
40,000	31,600	79.0	8,400	21.0
41,000	32,350	78.9	8,650	21.1
42,000	33,100	78.8	8,900	21.2
43,000	33,850	78.7	9,150	21.3
44,000	34,600	78.6	9,400	21.4
45,000	35,000	77.8	10,000	22.2

<sup>1</sup> Based on 95 percent of first \$8,000 of estimated value, and 75 percent of value in excess of \$8,000.

Maximum insurable mortgage:  
 \$20,000 for 1- and 2-family structures.  
 \$27,500 for 3-family structures.  
 \$35,000 for 4-family structures.



EXHIBIT 5

MAXIMUM MORTGAGE AMOUNTS UNDER SPECIFIED STATUTORY OR ADMINISTRATIVE LIMITS FOR 1- TO 4-FAMILY HOME MORTGAGES INSURED UNDER FHA SEC. 203

Program.....	Sec. 203 (b) (2) (D)		Sec. 203 (b) (2) (C)		Sec. 203 (b) (2) (A)		All mortgagors except operative builders	Operative builder		All mortgagors
	Owner occupant		Owner occupant		1 family			2-family		
	1 family	1 family	1 family	1 family	1 family	1 family		2-family	3-4 family	
Type of mortgagor.....	Owner occupant		Operative builder		All mortgagors except operative builders		Operative builder		All mortgagors	
Type of structure.....	1 family		1 family		1-2 family		1 family		3-4 family	
Mortgage formula .....	95 percent of value to maximum mortgage of \$6,650 plus \$950 per room for 3d and 4th bedrooms		85 percent of value to maximum mortgage of \$5,950 plus \$850 per room for 3d and 4th bedrooms		80 percent of value to maximum mortgage of \$16,000. <sup>1</sup>		80 percent of \$7,000 value and 60 percent of excess value to maximum mortgage of \$10,400		80 percent of \$10,000 value and 60 percent of excess value to maximum mortgage of \$12,800	
FHA value:	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
\$4,000.....	\$3,800	95.0	\$3,400	85.0	\$3,200	80.0	\$3,200	80.0	\$2,200	80.0
\$5,000.....	4,750	95.0	4,250	85.0	4,000	80.0	4,000	80.0	4,000	80.0
\$6,000.....	5,700	95.0	5,100	85.0	4,800	80.0	4,800	80.0	4,800	80.0
\$7,000.....	6,650	95.0	5,950	85.0	5,600	80.0	5,600	80.0	5,600	80.0
\$8,000.....	7,600	95.0	6,800	85.0	6,400	80.0	6,400	80.0	6,400	80.0
\$9,000.....	8,550	95.0	7,650	85.0	7,200	80.0	7,200	80.0	7,200	80.0
\$10,000.....	9,500	95.0	8,500	85.0	8,000	80.0	8,000	80.0	8,000	80.0
\$11,000.....	12,000	95.0	12,000	85.0	8,800	80.0	8,800	80.0	8,800	80.0
\$12,000.....	12,000	95.0	12,000	85.0	9,600	80.0	9,600	80.0	9,600	80.0
\$13,000.....	12,000	95.0	12,000	85.0	10,400	80.0	10,400	80.0	10,400	80.0
\$14,000.....	14,000	95.0	14,000	85.0	11,200	80.0	11,200	80.0	11,200	80.0
\$15,000.....	15,000	95.0	15,000	85.0	12,000	80.0	12,000	80.0	12,000	80.0
\$16,000.....	16,000	95.0	16,000	85.0	12,800	80.0	12,800	80.0	12,800	80.0
\$17,000.....	17,000	95.0	17,000	85.0	13,600	80.0	13,600	80.0	13,600	80.0
\$18,000.....	18,000	95.0	18,000	85.0	14,400	80.0	14,400	80.0	14,400	80.0
\$19,000.....	19,000	95.0	19,000	85.0	15,200	80.0	15,200	80.0	15,200	80.0
\$20,000.....	20,000	95.0	20,000	85.0	16,000	80.0	16,000	80.0	16,000	80.0

<sup>1</sup> Per structure.  
<sup>2</sup> Minimum of 3 bedrooms per family unit.  
<sup>3</sup> Minimum of 4 bedrooms per family unit, or minimum of 3 bedrooms per family unit in geographical area where Commissioner finds cost levels so require.  
<sup>4</sup> Minimum of 4 bedrooms per family unit in geographical area where Commissioner finds cost levels so require.



**EXHIBIT 5—Continued**  
**MAXIMUM MORTGAGE AMOUNTS UNDER SPECIFIED STATUTORY OR ADMINISTRATIVE LIMITS FOR 1- TO 4-FAMILY HOME MORTGAGES INSURED UNDER FHA SEC. 203—Continued**

Program.....	Sec. 203 (b) (2) (D)		Sec. 203 (b) (2) (C)		All mortgagors except operative builders		Sec. 203 (b) (2) (A)			
	Operative builder		Owner occupant		1-2 family		Operative builder		All mortgagors	
	Owner occupant	Operative builder	1 family	1 family	1 family	1 family	1 family	2-family	3-4 family	3-4 family
Type of mortgagor.....	1 family	1 family	1 family	1 family	1-2 family	1 family	1 family	1 family	2-family	3-4 family
Type of structure.....	1 family	1 family	1 family	1 family	1-2 family	1 family	1 family	1 family	2-family	3-4 family
Mortgage formula.....	95 percent of value to maximum mortgage of \$6,650 plus \$950 per room for 3d and 4th bed-rooms	85 percent of value to maximum mortgage of \$5,950 plus \$850 per room for 3d and 4th bed-rooms	95 percent of \$7,000 value and 70 percent of excess value to maximum mortgage of \$9,450	95 percent of value to maximum mortgage of \$7,000 value and 70 percent of excess value to maximum mortgage of \$16,000.1	80 percent of value to maximum mortgage of \$10,000	80 percent of value to maximum mortgage of \$7,000 value and 60 percent of excess value to maximum mortgage of \$10,400	80 percent of \$10,000 value and 70 percent of excess value to maximum mortgage of \$12,800	80 percent of value to maximum mortgage of \$20,500 3 family \$25,000 4 family	80 percent of \$10,000 value and 70 percent of excess value to maximum mortgage of \$12,800	80 percent of value to maximum mortgage of \$20,500 3 family \$25,000 4 family
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
\$21,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$22,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$23,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$24,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$25,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$26,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$27,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$28,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$29,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$30,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0
\$31,000.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	80.0

1 Minimum of 4 family units per structure.  
 Source: Federal Housing Administration.

HOME MORTGAGES INSURED UNDER FHA SEC. 203  
 MAXIMUM MORTGAGE AMOUNTS UNDER SPECIFIED STATUTORY OR ADMINISTRATIVE LIMITS FOR 1- TO 4-FAMILY  
 EXHIBIT 5



EXHIBIT 6  
FHA HOME MORTGAGES INSURED 1935-52 BY LOCATION OF PROPERTY

State	Total			Counties outside of standard metropolitan areas classified by size of largest community in the county									
	Counties in standard metropolitan areas			25,000-49,999		10,000-24,999		2,500-9,999		Less than 2,500			
	Number	Amount		Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Alabama	36,598	\$297,594,770		24,736	\$143,466,302	2,162	\$12,212,150	6,019	\$33,456,585	3,371	\$16,997,283	310	\$1,492,450
Arizona	36,686	216,916,428		25,274	150,630,950	6,888	42,832,303	4,480	22,281,975	44	171,200	44	5,069,210
Arkansas	31,799	170,370,367		13,279	74,826,632	2,671	14,379,030	4,762	25,992,918	9,640	49,502,577	1,447	1,868,724
California	516,753	3,056,155,609		474,836	2,808,311,705	6,266	38,137,051	29,695	176,126,727	5,649	31,711,402	3,307	2,499,250
Colorado	36,405	218,369,837		30,360	183,049,323	2,035	14,494,280	2,381	12,929,855	1,092	5,337,129	537	2,499,250
Connecticut	32,508	211,899,481		31,375	204,683,851	779	5,051,700	1,162	1,004,130	1,191	1,159,800		
Delaware	6,338	36,890,450		6,002	35,053,200					336	1,837,250		
District of Columbia	6,648	48,270,412		6,648	48,270,412								
Florida	92,390	559,200,624		66,788	405,247,604	18,449	111,755,793	2,453	15,555,450	4,131	22,802,659	569	2,839,112
Georgia	51,252	292,255,731		33,848	198,112,165	3,381	20,690,550	6,047	32,978,655	6,218	32,088,843	1,758	8,355,518
Idaho	16,777	98,194,041		127,556	819,665,538	7,794	46,729,029	5,690	33,609,941	2,760	14,512,930	633	3,342,141
Illinois	142,515	898,960,089		80,583	460,909,128	4,485	27,447,512	4,742	23,412,083	5,359	26,701,706	373	1,733,250
Indiana	103,047	572,111,034		18,308	104,562,671	13,091	66,462,550	3,861	19,822,828	5,236	23,370,978	366	1,545,550
Iowa	27,695	156,927,048		38,244	245,149,853	3,040	18,247,010	1,822	9,959,174	3,932	21,291,980	593	2,866,213
Kansas	56,152	334,884,378		21,759	132,467,132	3,820	19,082,250	8,063	41,191,125	4,681	23,126,445	1,354	6,334,705
Kentucky	30,529	182,542,265		34,527	231,553,794	2,964	17,817,472	2,687	15,090,710	2,335	12,841,626	784	4,355,325
Louisiana	52,548	337,927,401		3,758	20,125,090	9,111	56,629,991	3,601	21,816,743	4,720	24,984,383	589	2,942,490
Maine	9,297	45,704,490		46,079	271,862,024	1,671	8,323,900	1,708	7,624,810	2,099	9,411,690	61	219,000
Maryland	49,073	289,462,258		17,032	99,010,426	1,967	4,800,340	1,044	5,780,600	578	4,136,750	405	2,882,544
Massachusetts	18,019	105,249,626		195,887	1,169,698,929	7,751	47,495,181	4,441	24,373,511	866	5,567,700	64	386,300
Michigan	210,343	1,253,171,197		17,032	99,010,426	7,751	47,495,181	4,441	24,373,511	2,040	10,890,448	224	1,011,128
Minnesota	30,087	180,139,177		24,745	150,211,593	1,084	6,124,852	1,378	8,988,559	2,239	12,017,110	641	2,797,033
Mississippi	23,026	117,695,097		7,545	40,907,541	6,433	33,598,411	3,519	17,875,381	4,301	19,897,439	1,228	5,486,325
Missouri	79,948	453,927,413		70,023	439,053,993	1,706	8,862,440	2,968	13,276,834	4,382	19,248,963	869	3,485,183
Montana	10,251	56,619,464		18,474	110,063,587	5,533	32,697,841	2,162	11,357,030	1,803	9,655,577	753	2,899,016
Nebraska	29,102	165,849,216		3,758	20,125,090	3,103	21,588,452	5,585	29,961,266	3,675	19,358,213	1,418	6,466,150
Nevada	7,650	52,022,072		1,593	8,548,980	3,342	1,523,476	4,053	27,726,541	320	1,883,385	174	823,694
New Hampshire	4,306	21,537,670		114,457	669,694,128			2,059	10,143,474	215	933,740	97	388,000
New Jersey	124,179	722,578,400		2,189	13,336,700	5,641	33,355,566	5,641	33,355,566	4,081	19,528,706	101	469,975
New Mexico	17,906	113,467,087		10,494	69,332,817	3,559	21,521,595	1,563	8,806,000	1,563	8,806,000	136	675,491
New York	156,895	995,894,000		149,204	953,813,245	2,813	15,312,850	3,153	17,301,107	1,589	8,792,207	136	675,491
North Carolina	37,516	219,833,459		20,878	130,339,555	3,812	19,525,890	6,487	35,981,965	5,508	29,511,459	831	4,474,650
North Dakota	2,846	17,371,795		136,448	853,000,636	681	4,663,100	467	2,317,030	467	2,317,030	556	2,396,790
Ohio	147,801	917,615,483		47,987	289,047,871	3,895	23,091,243	4,501	25,795,026	2,630	13,700,298	327	1,967,480
Oklahoma	77,623	446,379,846		28,637	173,646,886	9,950	55,941,230	11,036	58,687,851	8,097	40,102,889	553	2,600,003
Oregon	44,174	269,119,466		28,637	173,646,886	5,531	34,755,528	5,838	35,054,000	3,918	24,195,952	250	1,467,100



EXHIBIT 6—Continued  
 FHA HOME MORTGAGES INSURED 1935-52 BY LOCATION OF PROPERTY—Continued

State	Counties outside of standard metropolitan areas classified by size of largest community in the county									
	25,000-49,999		10,000-24,999		2,500-9,999		Less than 2,500			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Pennsylvania.....	165,985	\$925,721,015	2,001	\$9,656,344	4,162	\$19,903,223	906	\$3,926,616	64	\$361,000
Rhode Island.....	6,348	35,669,025	1,364	6,955,775	4,084	20,470,269	5,617	24,378,639	1,610	10,604,050
South Carolina.....	29,630	154,978,427	1,380	10,414,300	1,932	9,189,128	1,869	8,771,061	883	3,690,905
South Dakota.....	9,792	53,336,729	1,674	9,532,400	5,043	27,939,850	3,552	18,070,349	677	2,985,780
Tennessee.....	59,041	332,996,724	8,582	52,116,607	17,871	96,434,639	12,387	62,391,254	1,625	8,144,657
Texas.....	199,093	1,110,350,676	4,246	24,103,283	7,779	4,373,065	3,964	21,771,720	565	2,640,100
Utah.....	30,247	179,375,192	1,341	7,357,540	972	4,638,357	1,481	6,021,774	69	215,900
Vermont.....	3,863	18,233,571	2,249	13,571,340	2,192	13,293,365	5,683	28,573,836	1,831	9,637,245
Virginia.....	71,491	419,141,515	10,910	63,273,995	12,802	75,262,202	4,245	24,578,804	577	3,577,005
Washington.....	126,852	737,694,103	2,700	14,106,100	2,690	15,207,400	1,899	9,112,818	422	2,137,104
West Virginia.....	21,359	118,407,081	2,785	16,313,974	1,103	6,445,592	1,567	8,578,250	125	501,599
Wisconsin.....	27,345	171,736,009	3,161	17,089,625	3,741	19,712,244	2,917	14,121,079	633	2,301,263
Wyoming.....	10,452	53,224,211								
Continental United States total.....	3,118,180	18,382,882,359	187,161	1,091,362,933	209,086	1,165,512,680	160,589	820,540,722	27,433	133,637,610
Percent distributed—number.....	100.0		81.3	6.0	6.7	5.1			0.9	
Percent distributed—amount.....	100.0		82.5	5.9	6.4	4.5			.7	

Source: Federal Housing Administration.



## EXHIBIT 7

## RESERVES FOR FHA MORTGAGE INSURANCE PROGRAMS

FHA has the following mortgage insurance programs:

- a. Sec. 8—Title I Housing Insurance Fund.
- b. Sec. 203—Mutual Mortgage Insurance Fund.
- c. Sec. 207
- d. Sec. 213 } —Housing Insurance Fund.
- e. Sec. 603
- f. Sec. 603-610
- g. Sec. 608
- h. Sec. 608-610
- i. Sec. 611
- j. Sec. 803—Military Housing Fund.
- k. Sec. 903
- l. Sec. 908 } —Defense Housing Insurance Fund.

These funds exclude home improvement loans under Title I and yield insurance under Title VII and the manufactured housing loans insured under Section 609, none of which is a mortgage program. The Section 609 program is insured by the War Housing Insurance Fund, listed above.

The Mutual Mortgage Insurance system for Section 203 was conceived as a mutual program from its inception, with the expectation that FHA insurance premiums would be collected in ample amounts to cover administrative costs and losses and that any surplus above these requirements would be returned to the mortgagors in the form of participating shares. For a variety of reasons each of the other programs has been established by FHA legislation as a nonparticipating insurance program (the Section 207 program was changed from a participating to a nonparticipating program as of February 3, 1938).

Several of the nonparticipating programs are of a type for which it was believed that a reasonably accurate anticipation of the extent of risk was almost impossible. Uncertainty as to duration of housing need was the primary occasion for this situation with respect to the war housing programs of Title VI, the military housing program of Title VIII, and the defense housing programs of Title IX. Unusual risks because of current inflation was the reason for this condition with respect to the postwar emergency programs of Section 603 and Section 608. Lack of operating precedent was the prime basis for the same point of view with respect to the programs initiated under Sections 609 and 610 relating to prefabricated housing and disposal of



public housing. For the remaining programs under Section 8, Section 207, Section 213, and Section 611, either the small likelihood of a net surplus appropriate for dividends or the difficulties of identifying equitably an eligible recipient for the dividends largely dictated the decision to make the programs nonparticipating.

With respect to each of the nonparticipating programs of mortgage insurance, the insurance premium has been established administratively at  $\frac{1}{2}$  percent annually based on declining balances. These decisions have not been founded on actuarial recommendations but rather on policy considerations (1) that the premium should be as similar as possible to that of the agency's major long-term program under Section 203 and (2) that the added risk of Treasury expense by virtue of this premium rate instead of a higher rate was more than offset by the increased effectiveness of the programs in meeting their various special purposes—war housing, military housing, low cost homes, etc. For those programs related to national defense, it has always been recognized also that even in the event of some eventual burden on the Treasury, net governmental costs of providing the required housing would probably be minimized by the use of the mortgage insurance program with the  $\frac{1}{2}$  percent premium rate.

For some programs, especially the War Housing programs of Sections 603 and 608, it already appears that the accumulation of assets from premiums and other sources will be able to meet any eventual losses of these programs. For the other programs, such a determination remains at present only a future possibility, although each year of favorable experience adds to the probability of the programs proving to be self-supporting.

The attached table shows all of the FHA mortgage insurance funds and the approximate reserve status of those funds. The estimated reserve requirements in this table have been approximated for the individual funds on the basis of adjustments from more detailed calculations previously made for the Mutual Mortgage Insurance Fund operations of Section 203.

It may be noted that the expression "required reserves" for an insurance fund refers to the amount of accumulated surplus which FHA actuarial computations indicate would be sufficient to meet losses with respect to the outstanding insurance in force at the beginning of a depression when account is taken also of the future premium income from that insurance in force and of the disposition value of properties acquired by FHA in exchange for debentures.

In the case of the Mutual Mortgage Insurance Fund for Section 203 operations, the calculation of required reserves has a special use in the determination of participating dividends. With respect to the Mutual Mortgage Insurance program of Section 203, the National Hous-



ing Act stipulates the return of surplus to individual mortgagors. FHA has determined that both equity and proper administration are best served by participating shares at time of termination for those mortgagors whose insurance contracts are ended by prepayment prior to the maturity date of the mortgages. In order to make an equitable determination of the amount of such participating shares and at the same time assure for each group account making such distributions that the assets of that group could meet without aid from the General Reinsurance Account any future burdens of losses within the group, FHA has established conservative reserve requirements which must be met by a group account before any participating shares will be distributed. As of June 30, 1953, of the 204 group accounts in effect, 144 are in a position of having sufficient resources in excess of required reserves to justify payment of participating shares.

For illustrative purposes, a detailed discussion of the method of determining required reserves for the Mutual Mortgage Insurance system is presented.

The reserve basis for the Mutual Mortgage Insurance system was derived from an adaptation of the so-called "Prospective" method of actuarial science. In essence it consists of estimating at a given time the present value of all future losses and expenses that can be anticipated, deducting therefrom the present value of future collectible premiums and so arriving at the amount of net surplus required at the given time to discharge such future losses and expenses.

The catastrophe nature of the mortgage risk involved has led to the adoption of extremely conservative assumptions in the actual application of this method. The most important of these has been in regard to the debenture issuing power of the Administration.

By statute the Administration does not pay its claims in cash but in bonds which it issues to the mortgagee in exchange for the property. This was designed to eliminate any pressure to liquidate properties during a depressed market in order to raise cash for claim payments. Conceivably, such a measure could substantially minimize capital losses provided real estate values were to recover following the depressed period, which has been the rule in past depressions.

However, for conservatism, this feature has been ignored in the reserve factors. Rather, it has been assumed in estimating losses that depression prices would obtain for properties disposed of by the Administration regardless of the holding period before sale.

This has led to a further assumption as to what would be the nature of the prices obtained for properties under such depressed sales. Again, for conservatism, the criterion used was on the order of the general loss in values that occurred during the depression of the early 1930's (i. e., no recovery of price levels from the depression has been



depended upon in approximating losses per property). Various factors were developed for different types of mortgage maturities and classes with an overall average price of approximately 60 percent of the *then* depreciated value of the property. The annual depreciation factor was taken at 2½ percent of improvements. Thus, a property worth originally \$1,000 would be assumed to have depreciated to a value of \$888 in 5 years, and, should it then become a claim, would be valued by the Administration at 60 percent of \$888 or \$533. In other words, a property valued originally at \$10,000 and acquired by FHA after foreclosure 5 years later would be assumed to sell eventually at a net price of \$5,330. For each such property, the FHA insurance system would be expected to absorb a loss equal to the difference between \$5,330 and the debentures issued at time of property acquisition by FHA.

The third basic assumption required was that relating to the probable number of foreclosures that could occur during a depressed period. As before, the results used were derived from comparable experience of the 1930's and again different rates were developed for different types of mortgages. On the average the rates can be summarized as follows: for outstanding mortgages less than 5 years old approximately 4 out of each 100 will be foreclosed each year during a 5-year depression period and for mortgages between 5 and 10 years old, approximately 3 out of every 100 will be foreclosed each year; after 10 years the rates gradually reduce to zero shortly before the maturity of the risk. The aggregate assumed percentage of foreclosures during a depression would thus depend on the age distribution of outstanding insured mortgages at the beginning of the depression, but would probably be close to 15 percent.

In regard to the timing of the depression, it was assumed that the economy would consist of a cycle of 5 depressed years and 10 good years in continuous succession. Again for conservatism, the reserve calculations were performed so that it is assumed each mortgage always faces an immediate 5 depressed years followed by 10 good ones. Thus, on a purely statistical basis, the depressed years are heavily weighted over the good years, particularly for the newer mortgages.

After the final factors were so developed, they were applied to each mortgage in force at the proper duration and a total required reserve figure was established by summation of the results (as of June 30, 1953, this summation totaled \$245 million). Appended hereto are illustrative tables showing the required reserve factors for 20 year mortgages with pattern ratings of 60-100 percent and certain relevant tables on which they are based.



APP. 1—SUBCOMMITTEE ON FHA-VA PROGRAMS

In the fiscal year ending June 30, 1953, the net income of the MMI system was approximately \$41 million before distribution of participating credits in the amount of \$8 million for the same period. If this level of net income is maintained, the total required reserve as defined above would probably be accumulated within 4 years.

Memorandum prepared by the FHA at the request of the Subcommittee on FHA and VA Housing Programs and Operations.

Estimated 1953 requirements	Estimated available resources	Unmet requirements	Estimated income	Estimated net income	Estimated total income
\$1,000,000,000	\$1,000,000,000	\$0	\$1,000,000,000	\$0	\$1,000,000,000
100,000,000	100,000,000	0	100,000,000	0	100,000,000
200,000,000	200,000,000	0	200,000,000	0	200,000,000
300,000,000	300,000,000	0	300,000,000	0	300,000,000
400,000,000	400,000,000	0	400,000,000	0	400,000,000
500,000,000	500,000,000	0	500,000,000	0	500,000,000
600,000,000	600,000,000	0	600,000,000	0	600,000,000
700,000,000	700,000,000	0	700,000,000	0	700,000,000
800,000,000	800,000,000	0	800,000,000	0	800,000,000
900,000,000	900,000,000	0	900,000,000	0	900,000,000
1,000,000,000	1,000,000,000	0	1,000,000,000	0	1,000,000,000
1,100,000,000	1,100,000,000	0	1,100,000,000	0	1,100,000,000
1,200,000,000	1,200,000,000	0	1,200,000,000	0	1,200,000,000
1,300,000,000	1,300,000,000	0	1,300,000,000	0	1,300,000,000
1,400,000,000	1,400,000,000	0	1,400,000,000	0	1,400,000,000
1,500,000,000	1,500,000,000	0	1,500,000,000	0	1,500,000,000
1,600,000,000	1,600,000,000	0	1,600,000,000	0	1,600,000,000
1,700,000,000	1,700,000,000	0	1,700,000,000	0	1,700,000,000
1,800,000,000	1,800,000,000	0	1,800,000,000	0	1,800,000,000
1,900,000,000	1,900,000,000	0	1,900,000,000	0	1,900,000,000
2,000,000,000	2,000,000,000	0	2,000,000,000	0	2,000,000,000
2,100,000,000	2,100,000,000	0	2,100,000,000	0	2,100,000,000
2,200,000,000	2,200,000,000	0	2,200,000,000	0	2,200,000,000
2,300,000,000	2,300,000,000	0	2,300,000,000	0	2,300,000,000
2,400,000,000	2,400,000,000	0	2,400,000,000	0	2,400,000,000
2,500,000,000	2,500,000,000	0	2,500,000,000	0	2,500,000,000
2,600,000,000	2,600,000,000	0	2,600,000,000	0	2,600,000,000
2,700,000,000	2,700,000,000	0	2,700,000,000	0	2,700,000,000
2,800,000,000	2,800,000,000	0	2,800,000,000	0	2,800,000,000
2,900,000,000	2,900,000,000	0	2,900,000,000	0	2,900,000,000
3,000,000,000	3,000,000,000	0	3,000,000,000	0	3,000,000,000
3,100,000,000	3,100,000,000	0	3,100,000,000	0	3,100,000,000
3,200,000,000	3,200,000,000	0	3,200,000,000	0	3,200,000,000
3,300,000,000	3,300,000,000	0	3,300,000,000	0	3,300,000,000
3,400,000,000	3,400,000,000	0	3,400,000,000	0	3,400,000,000
3,500,000,000	3,500,000,000	0	3,500,000,000	0	3,500,000,000
3,600,000,000	3,600,000,000	0	3,600,000,000	0	3,600,000,000
3,700,000,000	3,700,000,000	0	3,700,000,000	0	3,700,000,000
3,800,000,000	3,800,000,000	0	3,800,000,000	0	3,800,000,000
3,900,000,000	3,900,000,000	0	3,900,000,000	0	3,900,000,000
4,000,000,000	4,000,000,000	0	4,000,000,000	0	4,000,000,000
4,100,000,000	4,100,000,000	0	4,100,000,000	0	4,100,000,000
4,200,000,000	4,200,000,000	0	4,200,000,000	0	4,200,000,000
4,300,000,000	4,300,000,000	0	4,300,000,000	0	4,300,000,000
4,400,000,000	4,400,000,000	0	4,400,000,000	0	4,400,000,000
4,500,000,000	4,500,000,000	0	4,500,000,000	0	4,500,000,000
4,600,000,000	4,600,000,000	0	4,600,000,000	0	4,600,000,000
4,700,000,000	4,700,000,000	0	4,700,000,000	0	4,700,000,000
4,800,000,000	4,800,000,000	0	4,800,000,000	0	4,800,000,000
4,900,000,000	4,900,000,000	0	4,900,000,000	0	4,900,000,000
5,000,000,000	5,000,000,000	0	5,000,000,000	0	5,000,000,000
5,100,000,000	5,100,000,000	0	5,100,000,000	0	5,100,000,000
5,200,000,000	5,200,000,000	0	5,200,000,000	0	5,200,000,000
5,300,000,000	5,300,000,000	0	5,300,000,000	0	5,300,000,000
5,400,000,000	5,400,000,000	0	5,400,000,000	0	5,400,000,000
5,500,000,000	5,500,000,000	0	5,500,000,000	0	5,500,000,000
5,600,000,000	5,600,000,000	0	5,600,000,000	0	5,600,000,000
5,700,000,000	5,700,000,000	0	5,700,000,000	0	5,700,000,000
5,800,000,000	5,800,000,000	0	5,800,000,000	0	5,800,000,000
5,900,000,000	5,900,000,000	0	5,900,000,000	0	5,900,000,000
6,000,000,000	6,000,000,000	0	6,000,000,000	0	6,000,000,000
6,100,000,000	6,100,000,000	0	6,100,000,000	0	6,100,000,000
6,200,000,000	6,200,000,000	0	6,200,000,000	0	6,200,000,000
6,300,000,000	6,300,000,000	0	6,300,000,000	0	6,300,000,000
6,400,000,000	6,400,000,000	0	6,400,000,000	0	6,400,000,000
6,500,000,000	6,500,000,000	0	6,500,000,000	0	6,500,000,000
6,600,000,000	6,600,000,000	0	6,600,000,000	0	6,600,000,000
6,700,000,000	6,700,000,000	0	6,700,000,000	0	6,700,000,000
6,800,000,000	6,800,000,000	0	6,800,000,000	0	6,800,000,000
6,900,000,000	6,900,000,000	0	6,900,000,000	0	6,900,000,000
7,000,000,000	7,000,000,000	0	7,000,000,000	0	7,000,000,000
7,100,000,000	7,100,000,000	0	7,100,000,000	0	7,100,000,000
7,200,000,000	7,200,000,000	0	7,200,000,000	0	7,200,000,000
7,300,000,000	7,300,000,000	0	7,300,000,000	0	7,300,000,000
7,400,000,000	7,400,000,000	0	7,400,000,000	0	7,400,000,000
7,500,000,000	7,500,000,000	0	7,500,000,000	0	7,500,000,000
7,600,000,000	7,600,000,000	0	7,600,000,000	0	7,600,000,000
7,700,000,000	7,700,000,000	0	7,700,000,000	0	7,700,000,000
7,800,000,000	7,800,000,000	0	7,800,000,000	0	7,800,000,000
7,900,000,000	7,900,000,000	0	7,900,000,000	0	7,900,000,000
8,000,000,000	8,000,000,000	0	8,000,000,000	0	8,000,000,000
8,100,000,000	8,100,000,000	0	8,100,000,000	0	8,100,000,000
8,200,000,000	8,200,000,000	0	8,200,000,000	0	8,200,000,000
8,300,000,000	8,300,000,000	0	8,300,000,000	0	8,300,000,000
8,400,000,000	8,400,000,000	0	8,400,000,000	0	8,400,000,000
8,500,000,000	8,500,000,000	0	8,500,000,000	0	8,500,000,000
8,600,000,000	8,600,000,000	0	8,600,000,000	0	8,600,000,000
8,700,000,000	8,700,000,000	0	8,700,000,000	0	8,700,000,000
8,800,000,000	8,800,000,000	0	8,800,000,000	0	8,800,000,000
8,900,000,000	8,900,000,000	0	8,900,000,000	0	8,900,000,000
9,000,000,000	9,000,000,000	0	9,000,000,000	0	9,000,000,000
9,100,000,000	9,100,000,000	0	9,100,000,000	0	9,100,000,000
9,200,000,000	9,200,000,000	0	9,200,000,000	0	9,200,000,000
9,300,000,000	9,300,000,000	0	9,300,000,000	0	9,300,000,000
9,400,000,000	9,400,000,000	0	9,400,000,000	0	9,400,000,000
9,500,000,000	9,500,000,000	0	9,500,000,000	0	9,500,000,000
9,600,000,000	9,600,000,000	0	9,600,000,000	0	9,600,000,000
9,700,000,000	9,700,000,000	0	9,700,000,000	0	9,700,000,000
9,800,000,000	9,800,000,000	0	9,800,000,000	0	9,800,000,000
9,900,000,000	9,900,000,000	0	9,900,000,000	0	9,900,000,000
10,000,000,000	10,000,000,000	0	10,000,000,000	0	10,000,000,000

1. The estimated amount due to the Treasury pursuant to Title I, Sec. 104, is based on the assumption that the net income of the MMI system will be approximately \$41 million per year. For a more detailed explanation of the assumptions used in this table, see the report of the Subcommittee on FHA and VA Housing Programs and Operations, dated June 10, 1953.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

EXHIBIT 7A

SELECTED OPERATING STATISTICS AND BALANCE SHEET ITEMS FOR  
FHA MORTGAGE INSURANCE PROGRAMS AS OF JUNE 30, 1953

Program and insurance fund	Cumulative insurance written	Unpaid balances outstanding	Estimated available surpluses <sup>1</sup>	Estimated reserve requirements <sup>2</sup>
Title I housing insurance fund: Sec. 8.....	\$71,400,000	\$68,200,000	\$1,000,000	\$1,000,000
Mutual mortgage insurance fund: Sec. 203 <sup>3</sup> .....	15,658,900,000	9,196,100,000	151,900,000	245,500,000
<b>Housing insurance fund:</b>				
Sec. 207.....	282,900,000	128,600,000		
Sec. 213.....	254,700,000	211,200,000		
Total housing insurance fund.....	537,600,000	339,800,000	1,100,000	8,100,000
<b>War housing insurance fund:</b>				
Sec. 603 (War).....	3,661,300,000	1,855,600,000		
Sec. 603 (VEH).....				
Sec. 603-610.....	3,448,200,000	3,104,700,000		
Sec. 608 (War).....				
Sec. 608 (VEH).....	4,800,000	100,000		
Sec. 609.....				
Sec. 611.....	12,500,000	3,200,000		
Total war housing insurance fund.....	7,126,800,000	4,963,600,000	113,600,000	146,800,000
Military housing insurance fund: Sec. 803.....	521,500,000	516,300,000	6,700,000	14,600,000
<b>Defense housing insurance fund:</b>				
Sec. 903.....	206,500,000	204,200,000		
Sec. 908.....	35,500,000	35,500,000		
Total defense housing insurance fund.....	242,000,000	239,700,000	10,300,000	5,900,000
Total, all funds.....	24,158,200,000	15,323,700,000	284,600,000	421,900,000

<sup>1</sup> After deducting amounts due to the Treasury pursuant to Public Law 94.

<sup>2</sup> Rough calculations excepting for Sec. 203.

<sup>3</sup> Includes small volume of Sec. 207 insurance written prior to Feb. 3, 1938.



EXHIBIT 7B

STANDARD RATES OF TITLE TRANSFER FOR INSURANCE CONTRACTS  
 IN FORCE UNDER THE MUTUAL MORTGAGE INSURANCE FUND  
 DURING THE UNFAVORABLE PHASE OF THE TITLE TRANSFER CYCLE

Duration—Year of insurance after endorsement:	<i>Term of mortgage: 20 years— Mortgage pattern rating: 60-100</i>
1.....	\$0. 0375
2.....	. 0366
3.....	. 0356
4.....	. 0344
5.....	. 0330
6.....	. 0313
7.....	. 0293
8.....	. 0268
9.....	. 0236
10.....	. 0192
11.....	. 0125
12.....	. 0087
13.....	. 0064
14.....	. 0047
15.....	. 0034
16.....	. 0023
17.....	. 0015
18.....	. 0008
19.....	. 0004
20.....	. 0000



EXHIBIT 7C

FISCAL YEAR RESERVE FACTORS PER \$1,000 OF ORIGINAL FACE  
 AMOUNT OF INSURANCE IN FORCE UNDER THE MUTUAL MORT-  
 GAGE INSURANCE FUND

Duration:

*Term of mortgage: 20 years—  
 Mortgage pattern rating: 60-100*

0	-----	\$32.902
1	-----	26.790
2	-----	22.711
3	-----	18.446
4	-----	13.973
5	-----	9.234
6	-----	4.330
7	-----	3.840
8	-----	3.600
9	-----	3.360
10	-----	3.120
11	-----	2.880
12	-----	2.640
13	-----	2.400
14	-----	2.160
15	-----	1.800
16	-----	1.560
17	-----	1.200
18	-----	.960
19	-----	.600
20	-----	.240



EXHIBIT 7D

INSURANCE LOSS PER \$1,000 OF ORIGINAL FACE AMOUNT ON A 20-YEAR MORTGAGE WITH MORTGAGE RATING PATTERN OF 60-100 ON PROPERTY ACQUIRED DURING THE UNFAVORABLE PHASE OF THE TITLE TRANSFER CYCLE

Duration: Year of insurance after endorsement	Depreciated value of property with original value of \$1,176.47	Recovery ratios on depreciated value of property	Recovery value of property	Outstanding balance of loan	Insurance loss
		<i>Percent</i>			
1.....	\$1,151.47	57.50	\$662	\$968	\$306
2.....	1,126.47	57.52	648	935	287
3.....	1,101.47	57.58	634	901	267
4.....	1,076.47	57.69	621	865	244
5.....	1,051.47	57.87	608	827	219
6.....	1,026.47	58.14	597	787	190
7.....	1,001.47	58.52	586	746	160
8.....	976.47	59.02	576	703	127
9.....	951.47	59.66	568	657	89
10.....	926.47	60.46	560	610	50
11.....	901.47	61.44	554	560	15
12.....	876.47	62.62	549	509	15
13.....	851.47	64.01	545	454	15
14.....	826.47	65.63	542	398	15
15.....	801.47	67.50	541	338	15
16.....	776.47	67.50	524	276	15
17.....	751.47	67.50	507	212	15
18.....	726.47	67.50	490	144	15
19.....	701.47	67.50	473	73	15
20.....	676.47	67.50	457		



EXHIBIT 8

ESTIMATED MONTHLY MORTGAGE PAYMENT AND HOUSING EXPENSE  
ON TYPICAL MORTGAGES INSURED UNDER PROPOSED SEC. 221

	Mortgage amount		
	\$6,000	\$7,000	\$8,000
Mortgage term: 40 years ratio of loan to value: 100 percent.....	\$6,000	\$7,000	\$8,000
Payment to principal and interest of 4½ percent on reducing balances.....	27.00	31.50	36.00
Payment to FHA mortgage insurance premium of ½ of 1 percent on reducing balances <sup>1</sup> .....	2.47	2.88	3.29
Payment to service charge of ¼ of 1 percent on reducing balances <sup>1</sup> .....	2.47	2.88	3.29
Estimated payments to hazard insurance premiums, taxes, and any miscellaneous items.....	7.64	8.91	10.19
Total monthly mortgage payment.....	39.58	46.17	52.77
Estimated monthly costs of maintenance and regular operating expense items (water, gas, electricity, and fuel) <sup>2</sup> .....	15.77	16.75	17.93
Estimated total monthly housing expenses.....	55.35	62.92	70.70

<sup>1</sup> One-twelfth of the second annual premium or service charge. These amounts decline over the life of the mortgage, paralleling the decline in the outstanding balance.

<sup>2</sup> Maintenance accounts for approximately ⅓ of this item.

Source: Federal Housing Administration.



## EXHIBIT 9

STATUS OF DEFENSE HOUSING PROGRAM UNDER PUBLIC LAW 139  
AS OF SEPT. 30, 1953

Type	Dwelling units
FHA title IX (private defense housing).....	(1)
Applications received.....	115,651
Commitments issued.....	81,562
Mortgages insured.....	39,502
Construction started.....	64,130
Construction completed.....	45,728
Private defense housing.....	(1)
Programed <sup>2</sup> .....	99,638
Rental.....	76,632
Sale.....	23,006
Approved applications <sup>3</sup> .....	93,400
Rental.....	71,346
Sale.....	22,054
Construction started.....	73,466
Rental.....	55,691
Sale.....	17,775
Construction completed.....	54,561
Rental.....	39,955
Sale.....	14,606
Public defense housing.....	(4)
Assigned.....	<sup>5</sup> 13,853
Construction started—includes rehabilitated.....	13,731
Construction completed—includes rehabilitated.....	9,360

<sup>1</sup> Permanent.<sup>2</sup> Number of critical defense areas 210; number of programs 285.<sup>3</sup> Of this total 81,562 units represent FHA insurance commitments issued under Title IX of the National Housing Act.<sup>4</sup> Temporary.<sup>5</sup> Public funds obligated \$63.2 million; public funds available \$6.7 million.

Source: Office of the Administrator, Federal Housing Administration.



EXHIBIT 10

STATUS AND UTILIZATION OF TOTAL FHA MORTGAGE INSURANCE AUTHORIZATIONS COMPUTED ON THE ASSUMPTION THAT ALL LIMITATIONS APPLY TO INSURANCE IN FORCE

[Millions of dollars]

Fiscal year ending June 30	Status at end of fiscal year					Activity during fiscal year	
	Total <sup>1</sup> authorization	Insurance in force	Commitments <sup>2</sup> outstanding	Total chargeable	Unused authorization	Net use of authorization	Insurance written
1953.....	20,600.0	15,323.6	2,530.6	17,854.2	2,745.8	2,050.7	2,545.7
1952.....	20,100.0	13,878.0	1,925.5	15,803.5	4,296.5	845.2	2,161.5
1951.....	18,500.0	12,638.2	2,320.1	14,958.3	3,541.7	1,451.6	3,098.8
1950.....	17,250.0	10,320.6	3,186.1	13,506.7	3,743.3	3,325.5	3,606.6
1949.....	13,200.0	7,612.4	2,568.8	10,181.2	3,018.8	2,332.5	2,951.1
1948.....	10,100.0	5,335.9	2,512.8	7,848.7	2,251.3	2,677.2	2,168.8
1947.....	7,800.0	3,781.7	1,389.8	5,171.5	2,628.5	525.0	578.5
1946.....	6,800.0	4,203.3	443.2	4,646.5	2,153.5	-29.2	430.1
1945.....	5,800.0	4,390.8	284.9	4,675.7	1,124.3	-136.6	683.6

<sup>1</sup> Exclusive of Title I, Sec. 2.

<sup>2</sup> Includes statements of eligibility.

Source: Federal Housing Administration.



## EXHIBIT 11

COMPARISON OF FHA FEE AND PREMIUM INCOME AND  
"NONADMINISTRATIVE" EXPENSES 1948-53

Fiscal year	Fee and premi- um income	Available for nonadminis- trative expense in following year <sup>1</sup>	Year	Nonadminis- trative ex- penses	Surplus (+) or deficit (-)
1948.....	\$57,265,029	\$20,042,760	1949	\$17,524,179	+\$2,518,581
1949.....	67,596,822	23,658,888	1950	22,608,543	+1,050,345
1950.....	<sup>2</sup> 92,100,000	32,235,000	1951	26,486,387	+5,748,613
1951.....	<sup>2</sup> 100,300,000	35,105,000	1952	25,406,076	+9,698,924
1952.....	<sup>2</sup> 99,200,000	34,720,000	1953	26,554,641	+8,165,359
1953.....	<sup>2</sup> 115,600,000	40,460,000	1954	<sup>2</sup> 26,100,000	+14,360,000

<sup>1</sup> 35 percent of preceding column as provided by Public Law 387, 81st Cong., approved Oct. 25, 1949.

<sup>2</sup> Rounded.

<sup>3</sup> Estimated.

Source: Federal Housing Administration.



EXHIBIT 12

PROVISION OF COMMUNITY FACILITIES IN DEFENSE AREAS

Net Approvals, Starts and Completions by Type of Facility and Source of Funds as of Sept. 30, 1953

Status	Number of projects	Construction cost \$000	Source of funds			
			HHFA grants \$000	HHFA loans \$000	PHS funds \$000	Applicants funds \$000
<b>Total:</b>						
Approved.....	100	\$48,410	\$16,589	\$3,492	<sup>1</sup> \$4,640	<sup>2</sup> \$23,689
Started.....	71	<sup>2</sup> 30,014	11,691	2,494	4,134	11,695
Completed.....	10	1,294	609	469	64	153
<b>Water only:</b>						
Approved.....	36	26,875	8,123	1,093	1,440	16,219
Started.....	26	14,357	5,829	745	1,025	<sup>2</sup> 6,758
Completed.....	1	148	148	0	0	0
<b>Sewer only:</b>						
Approved.....	40	14,868	4,765	1,756	2,449	5,898
Started.....	27	9,690	2,815	1,261	2,359	3,256
Completed.....	7	1,064	380	469	64	150
<b>Water and sewer:</b>						
Approved.....	12	3,789	1,248	643	<sup>2</sup> 750	1,147
Started.....	7	3,122	880	488	750	1,003
Completed.....	1	60	58	0	0	2
<b>Other types of facilities:<sup>3</sup></b>						
Approved.....	12	2,878	2,453	0	0	<sup>2</sup> 425
Started.....	11	<sup>2</sup> 2,845	2,167	0	0	<sup>2</sup> 678
Completed.....	1	22	22	0	0	0

<sup>1</sup> PHS grants total \$4,444,582—PHS loans total \$195,000.

<sup>2</sup> Preliminary.

<sup>3</sup> Streets, fire and police protection.

Source: Office of the Administrator.



## EXHIBIT 13

## HOME LOANS GUARANTEED OR INSURED BY VA

*Cumulative as of Sept. 25, 1953*

Number of loans closed.....	3, 111, 920
Principal amount.....	\$20, 715, 947, 758
Amount of guaranty or insurance.....	\$11, 052, 959, 069
Number of loans repaid in full.....	423, 467
Number of loans on which claims have been paid.....	17, 060
Percent of total loans closed.....	0. 55
Net amount of claims paid to date.....	\$15, 550, 000
Number of loans outstanding.....	2, 671, 393
Estimated principal balance outstanding (billion).....	\$15. 3

*Summary of Property Management Activities as of Sept. 30, 1953*

Properties assigned by lenders to VA on default of guaranteed loans....	11, 663
Assignments withdrawn before transfer of title to VA.....	223
Properties redeemed before acquisition of absolute title by VA.....	240
Properties sold—total.....	8, 929
Cases pending, end of month—total.....	2, 271
Pending acquisition by VA.....	577
VA acquired properties on hand.....	1, 694
Still subject to redemption.....	500
Held in absolute title by VA.....	1, 194



## EXHIBIT 13A

VA HOME LOAN GUARANTY PROGRAM  
HOME LOAN APPLICATIONS AND CLOSINGS BY YEARS

Period	Total home loan applications received	Loans closed (excluding alteration and repair loans)		
		Total	New and proposed	Existing
1944-46.....	570,980	453,000	75,700	377,300
1947.....	559,300	536,000	230,000	306,000
1948.....	330,300	344,000	176,000	168,000
1949.....	344,900	272,500	163,500	109,000
1950.....	622,900	492,900	312,400	180,500
1951.....	377,500	442,900	317,600	125,300
1952.....	312,900	302,400	192,870	109,530
1953 (9 months).....	244,800	235,000	151,300	83,700
Cumulative September 1953.....	3,362,200	3,077,000	1,618,500	1,458,500

NOTE.—Because of adjustments to cumulative totals, they will not equal the sum of annual totals.

Source: Veterans' Administration.



## EXHIBIT 14

SUMMARY OF VA DIRECT LOAN PROGRAM THROUGH  
SEPT. 30, 1953

	Loans tentatively approved (funds reserved—net)		Loans closed and fully disbursed	
	Number	Amount	Number	Amount
<i>Year ending—</i>				
Dec. 31, 1950.....	4,990	\$31,630,434	1,018	\$6,126,941
Dec. 31, 1951.....	17,161	115,754,912	15,770	106,545,030
Dec. 31, 1952.....	11,107	79,505,650	9,731	63,547,719
9 months ending Sept. 30, 1953.....	11,848	87,349,729	11,814	85,124,320
Cumulative total July 1950-Sept. 1953.....	45,106	314,240,725	38,333	261,344,010

STATUS OF VA DIRECT LOANS CLOSED AND FULLY DISBURSED  
AS OF SEPT. 30, 1953

	Number	Initial loan Amount	Outstanding loan balance
Total.....	38,333	\$261,344,010	.....
Loans terminated to date—total.....	2,045	13,678,123	.....
By sale.....	1,500	10,839,904	.....
By repayment in full.....	408	2,588,351	.....
By foreclosure.....	24	130,394	.....
By voluntary conveyance.....	23	119,474	.....
Fully disbursed loans outstanding.....	36,288	247,665,887	\$231,877,933
Loans in default—total.....	948	.....	.....
3 or more installments.....	193	.....	.....

Source: Veterans' Administration.



## EXHIBIT 15

ATTACHMENT TO FINAL REPORT OF THE SUBCOMMITTEE ON FHA  
AND VA HOUSING PROGRAMS AND OPERATIONS

The Advisory Committee, in adopting the final report of the Subcommittee on FHA and VA Housing Programs and Operations, did not accept the following recommendation originally presented by the Subcommittee as a part of the proposed Section 221 program. It is presented here for reference:

*Your Subcommittee recommends that in order to provide for the acceptability and marketability of insured mortgages under Section 221 the following special provisions be authorized for inclusion in the mortgage contract:*

1. That lenders should be permitted to make a special monthly service charge in an amount determined by the FHA Commissioner to be adequate to cover the increased costs of handling small loans;
2. That at the option of the mortgagee a Section 221 loan might be assigned to the FHA at the end of 20 years in exchange for debentures in an amount not more than the scheduled outstanding principal balance;
3. That the debentures offered to the mortgagee in event of default or assignment of the mortgage to FHA should bear a standard term of 10 years and should bear an interest rate determined at the time of issuance equivalent to the current yield on Government bonds of comparable term; and
4. That lenders should be covered completely against any loss by reason of approved foreclosure expenses.



REPORT OF THE SUBCOMMITTEE ON URBAN REDEVELOPMENT,  
REHABILITATION, AND CONSERVATION

The Subcommittee's Approach

At its first meeting the Subcommittee set as the targets of its studies the following:

1. What must the cities do to prevent their first housing boom from being their last?

APPENDIX 2

Report of the Subcommittee on  
Urban Redevelopment, Rehabilitation,  
and Conservation

December 3, 1953

JAMES W. ROUSE, *Chairman*

EHNEY A. CAMP, Jr.

RALPH T. WALKER

RICHARD J. GRAY

ALEXANDER SUMMER

---

CARL FEISS, *Staff Adviser*

GARRETT B. RATCLIFF, *Executive Secretary*



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

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DECEMBER 3, 1953.

Honorable ALBERT M. COLE,  
*Chairman, President's Advisory Committee on Government  
Housing Policies and Programs,  
Washington 25, D. C.*

DEAR SIR: The Subcommittee on Urban Redevelopment, Rehabilitation, and Conservation submits herewith its final report for presentation to the President's Advisory Committee on Government Housing Policies and Programs.

Respectfully,

JAMES W. ROUSE, *Chairman.*  
EHNEY A. CAMP, Jr.  
RALPH T. WALKER  
RICHARD J. GRAY  
ALEXANDER SUMMER



## REPORT OF THE SUBCOMMITTEE ON URBAN REDEVELOPMENT, REHABILITATION, AND CONSERVATION

### The Subcommittee's Approach

At its first meeting the Subcommittee set as the targets of its studies the following:

1. What must the cities do to eliminate slums and prevent their future growth?
2. What is the necessary and appropriate role of the Federal Government in this effort?

The Subcommittee has approached its task along several courses as follows:

1. Extensive discussion with people specially selected for their experience with and knowledge of the various slum elimination efforts. This has included the following:

Ferd Kramer, Draper and Kramer, Inc., Chicago Mortgage Banker, President, Chicago Metropolitan Housing and Planning Council, Treasurer, American Society of Planning Officials.

Miles L. Colean, Washington, D. C., Housing Economist.

General Otto L. Nelson, Jr., Vice President in Charge of Housing, New York Life Insurance Co.

John P. Robin, Executive Director, Pittsburgh Urban Redevelopment Authority.

Philip Klutznick, Chicago Home Builder; Member, Illinois State Housing Board, Former Commissioner, Federal Public Housing Authority.

Charles Kaufman, Norfolk Lawyer; Chairman, Norfolk Redevelopment and Housing Authority.

G. Yates Cook, Director of Housing Rehabilitation, National Association of Home Builders; Director, New Orleans Department of Housing Improvement and Slum Prevention.

John Searles, Director, Washington, D. C., Redevelopment Land Agency.

Guy T. O. Hollyday, Commissioner, Federal Housing Administration.

Stuart Fitzpatrick, United States Chamber of Commerce.

Charles Stewart, National Association of Real Estate Boards.

Charles Slusser, Commissioner, Public Housing Administration.

James W. Follin, Director, Division of Slum Clearance and Urban Redevelopment, Housing and Home Finance Agency.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

Henry Parkman, Assistant Director for Nonmilitary Defense, Office of Defense Mobilization.

Tracy Augur, Director of Urban Targets Division, Office of Defense Mobilization.

James Martin, Deputy Assistant Administrator for Technical Services, Federal Civil Defense Administration.

A. D. Morrell, Director of Engineering Services, Federal Civil Defense Administration.

Paul McCord, Executive Director, Indianapolis Redevelopment Commission.

Max Wehrly, Executive Director, Urban Land Institute.

Frank Horne, Special Assistant to the Administrator, Housing and Home Finance Agency.

Walter Blucher, Past President, American Society of Planning Officials.

Park Martin, Executive Director, Allegheny Conference on Community Development.

Bert Seidman, Housing Economist, American Federation of Labor.

Monsignor John O'Grady, National Conference of Catholic Charities.

2. Letters requesting specific advice on the size of the slum prevention-slum elimination problem, the capacity of the cities to deal with it and the appropriate role of the Federal Government were received, in response to Committee requests, from the following:

Frank P. Zeidler, Mayor, Milwaukee, Wis.

Rafael Pico, Chairman, Puerto Rico Planning Board, Santurce, P. R.

Roger L. Creighton, Secretary, Slum Clearance and Redevelopment Authority, Portland, Maine.

Francis J. Lammer, Executive Director, Redevelopment Authority of the City of Philadelphia, Philadelphia, Pa.

Robert Moses, Chairman, Committee on Slum Clearance, New York City.

Charles S. Ascher, New York City.

W. O. Dobbins, Jr., Director, State Planning Board, Montgomery, Ala.

George H. Dovenmuehle, President, Dovenmuehle, Inc., Chicago, Ill.

Carl A. Metz, c/o Shaw, Metz and Dolio, Chicago, Ill.

Ramsey Findlater, Director, Cincinnati Metropolitan Housing Authority, Cincinnati, Ohio.

Gerard Gimre, Executive Director, the Nashville Housing Authority, Nashville, Tenn.

Paul B. Guthery, c/o V. J. Guthery's Sons, Charlotte, N. C.



Frank H. Malley, Director, City Plan Commission, Providence, R. I.

Donald M. Graham, Executive Director, Providence Redevelopment Agency, Providence, R. I.

Charles B. Bennett, Director, Department of City Planning, Los Angeles, Calif.

Paul Opperman, Director of Planning, San Francisco, Calif.

Shelton P. Hubbard, Director, Department of Housing Improvement and Slum Clearance, New Orleans, La.

R. Redding Stevenson, Chairman, Housing Authority of the City of Little Rock, Little Rock, Ark.

William E. Kemp, Mayor, Kansas City, Mo.

Reginald R. Isaacs, Chairman, Department of City and Landscape Planning, Harvard University, Cambridge, Mass.

Ferd Kramer, c/o Draper and Kramer, Chicago, Ill.

3. Studies were made by contract consultants and the Subcommittee's staff, assisted by other Government agencies, as follows:

National Objectives for Housing and Urban Renewal (Contract).  
Slum Prevention Through Conservation and Rehabilitation (Contract).

Census of 1950 Statistics on Housing and Income.

Income Measured by Eligibility for Low-Rent Public Housing in Title I Project Areas.

Aspects of cost: 42 Projects.

Analysis of Space Occupancy Standards.

Notes on the Cost of Slums.

Problems and Capacities in Local Financing of Slum Clearance.

Local Planning, Code Enforcement, and Rehabilitation Requirements in the Slum Clearance and Urban Redevelopment Program.

Tax Revenues from Redevelopment Projects.

Financing of Slum Clearance and Urban Redevelopment by Local Public Agencies.

4. The contract studies were as follows:

A study of rehabilitation and conservation efforts in various cities; an analysis of the adequacy of existing codes and regulations in the cities, of new legislation recently passed in a number of cities and States, and of recent proposals for new State legislation. This study was made by Jack Siegel, Chicago lawyer who participated in the recent conservation study made by the Chicago Metropolitan Housing and Planning Council, and by William Brooks, Baltimore lawyer, Zoning Enforcement Officer, Chairman of the Law Enforcement Committee of the Baltimore Plan Program.



A study of what is required to create healthy, well-planned, integrated neighborhoods and of what the long-range target should be in the renewal of American cities. This study was made by Robert Mitchell, former Director of Planning in Philadelphia, now Professor of Planning, University of Pennsylvania.

## Background to the Subcommittee's Recommendations

### A PIECEMEAL ATTACK ON SLUMS WILL NOT WORK

The central point of agreement among the members of the Subcommittee, and the major point of emphasis in this report, is the absolute necessity for lifting our sights from piecemeal thrusts at occasional slum pockets, to a broadscale integrated campaign that stretches across the whole spread of urban blight from the earliest symptoms to the last stages of decay.

This conclusion was shared by almost everyone who consulted with us in the course of our studies. It is in phase with a fresh and growing determination among American cities to get at the roots of the slum problem.

To eliminate slums:

Millions of dwellings must be demolished and large areas must be cleared—but demolition and redevelopment alone will never get rid of slums.

Millions of dwellings, which are worth saving, must be rehabilitated—but rehabilitation alone will never get rid of slums.

Millions of new dwellings must be built to meet the demands of urban growth, wipe out our present housing shortages, and make up for houses demolished—but no amount of new construction alone will get rid of slums.

Slums do not just happen. They are the product of neglect—neglect by landlords, by tenants, and by all of us who make up the communities in which slums exist. But above all else, they are the product of neglect by our city governments.

Although the importance of comprehensive city planning to orderly urban growth is well established, most cities fail to plan effectively.

Although zoning well framed and consistently enforced is widely accepted as essential to a stable city, many cities fail to enforce their zoning laws.

Although the overcrowding of dwellings long has been identified as the first and fundamental cause of slums, few cities enforce occupancy controls even in those areas not yet overcrowded but threatened with the next advance of blight.

Although building, fire, housing, and health codes exist in nearly all cities to prevent the growth of unsafe and unsanitary conditions, few, if any, cities attempt to enforce them.



Although parks and recreation areas are essential to the maintenance of healthy neighborhoods and are provided for that purpose in newer areas, few cities bother to provide them in the older crowded areas where the need is greatest.

Although street, alley, and sidewalk maintenance, street lighting, garbage collection, street cleaning, and other elementary phases of municipal housekeeping are known to be vital to neighborhood pride and spirit, few cities give anything but second-class attention to these responsibilities in older areas.

Although the confinement of any expanding group of people to a tightly congested part of a city must result in the overcrowding and exploitation which breeds slums, few, if any, cities have accepted responsibility for the segregation of minority racial groups into spaces so limited that they must of necessity become blighted.

These are some of the causes of slums. Their combined pressure pushes American cities along the deterioration pipeline faster than slums can be removed at one end and new dwellings added at the other.

We must clear our slums and we must add good new housing to the supply, but if we are sincere and realistic about eliminating urban blight, we must get at the causes as well as the symptoms of the trouble. We must develop a much broader, bolder, and better balanced program for slum prevention and slum clearance than we have so far evolved. The tight relationship between cause and effect in slums must be held in sharp focus, and we must insist upon dealing with both if we are to get rid of either.

### SLUMS ARE EXPENSIVE

The huge cost of slums has been documented many times in terms of disease, crime, juvenile delinquency, waste, and erosion of the dignity and the character of our fellow citizens. Not always as fully appreciated is the fearful economic cost of slums.

The fact is that our cities are caught in a descending spiral which leads to widespread municipal insolvency. The accumulated and continuing spread of blight eats away at the assessable base of the cities. As the blight spreads, it is inevitably followed by crime, fire, disease, and delinquency. Thus, does the need for city services increase. But the city's ability to meet the increased budget is automatically impaired by the very blight that creates the demand. More blight, more demand for services, less revenues to meet the demand—that is the downward spiral in American cities. Most often the cities with the greatest slum problem have the least capacity to deal with it. Hence, the call for Federal aid.



FEDERAL AID TO CITIES UNDER TITLE I OF THE HOUSING  
ACT OF 1949

Slum clearance and slum prevention are local problems which require local solutions. It is only because of the vast accumulation of blight that the problem has attracted national attention and demanded Federal participation. The Federal Government's role has been to furnish financial assistance to cities needing it and meeting certain objectives set up by Congress, and to thus induce action along the lines considered desirable.

The program authorizes a total of \$1,000,000,000 in loans to cities and \$500,000,000 in grants. The loans are for planning the redevelopment projects and acquiring the property to be cleared. The eventual net cost of the project is shared one-third by the city and two-thirds by the Federal Government. The loan is retired out of the combined local and Federal grants.

Grants approved to date total \$100,500,000. Requests for grants on projects in process total an additional \$75,900,000. Projects now in the planning stages would require perhaps an additional \$110,000,000. This would use up roughly \$286,000,000 of the total grants authorized by Congress. It would leave \$214,000,000 available for future projects in addition to the \$110,000,000 now in the planning stage.

The projects approved and now in process would clear a total of approximately 70,000 dwellings on more than 5,000 acres of land in 86 communities located in 23 States. This works out to an average cost to the Federal Government of slightly more than \$2,500 per dwelling unit cleared. If this same average were maintained, present authorizations would account for the clearance of approximately 130,000 additional dwelling units and, at a pace somewhat faster than the program has moved to date, it would take 3 to 4 years to do it.

## THE SIZE OF THE SLUM ELIMINATION PROBLEM

In order to have some basis for measuring the possible cost of slum elimination and the period of years over which it might reasonably be undertaken, the Subcommittee made a number of studies of Census data and of local estimates of urban decay. It is, of course, impossible to measure precisely the size or the cost of demolition, rehabilitation, code enforcement, or vitalized municipal housekeeping. But in order to get some idea of magnitude of the job, illustrative figures were assembled representing the thoughtful opinion of informed specialists in the field.

The Census figures show 10,262,000 dwelling units either dilapidated or deficient in plumbing. But no one knows how many of these must be cleared. This figure includes units which are not dilapidated



and lacking only in hot water and also rural nonfarm units which are not dilapidated but which have no inside toilet. It is doubtful that such units as these are automatically in the demolition category. If they are left out, approximately 6,800,000 dwelling units remain in the substandard group. Obviously some of these can be successfully rehabilitated. On the other hand some units which are not substandard will have to be cleared to permit logical replanning of clearance areas and to relieve congestion and provide parks and playgrounds in neighborhoods being extensively rehabilitated. After giving consideration to all of these factors the number of units probably requiring demolition was estimated at 5,000,000.

The cost of redevelopment projects approved or in process has been estimated at about \$3,750 per dwelling unit (\$2,500 Federal and \$1,250 local). It is considered probable that this cost can be reduced to \$3,000 per unit. This would make the total cost of clearing 5,000,000 substandard units \$15,000,000,000.

The neighborhood conservation and rehabilitation concept is so new that there is even more uncertainty as to its size or cost. But it would seem safe to assume that in the neighborhoods potentially involved there are 15,000,000 dwelling units. The cost of necessary spot clearance, street closings and widenings, parks, recreation areas and other public improvements has been estimated at \$600 per dwelling unit. This would bring the potential public improvement cost of neighborhood conservation to \$9,000,000,000.

None of this takes into account of course, the cost of rehabilitation to the structures themselves. Such expenditures, which would probably exceed the public improvement total, would of course be borne by the individual property owner.

The above figures would indicate a budget of \$1,500,000,000 annually for slum clearance alone, if the job were to be done in 10 years. At an annual expenditure of \$300,000,000 for slum clearance (nearly 5 times the present rate) it would take 50 years to clear the present substandard units from all cities. If we continue only at a present rate of clearance and rely on demolition alone to eliminate slums, it will take us something over 200 years to do the job.

The Subcommittee has previously emphasized that through demolition and new construction alone, it is impossible to eliminate slums because neither process goes at the cause of the trouble. An examination of the cost of the problem reinforces the necessity for developing a much broader approach to slum elimination. If the nature of the problem itself did not require it, budget considerations alone would be sufficient to impel anyone who was sincerely trying to eliminate slums to find ways of preventing the spread of blight in its earliest stages; of rehabilitating dwellings worth saving and of creating sound



healthy neighborhoods out of the existing housing inventory. It is obvious that we must check the cycle of decay before slums are born.

### WHAT CAN THE CITIES DO?

#### WHAT SHOULD THE FEDERAL GOVERNMENT REQUIRE?

Inasmuch as it seems to be well established that the Federal Government will extend financial assistance to cities to eliminate slums, it becomes important for the Federal Government to make sure that the aid provided will actually do the job intended and that it will cover the maximum ground.

*What we hope we are doing is to help the cities help themselves.* By clearing slums, removing blight, and checking the deterioration cycle, cities should be able to increase municipal revenues at the same time they are reducing the demand for services. In short, we are trying to establish the urban renewal process on an orderly basis so that over the long pull we will establish healthy cities with reduced requirements for the Federal aid which we now find mandatory.

But the job will be neither cheap nor easy. There is no simple dramatic solution. There must be well-planned and well-organized action, using all the tools of slum prevention, physical rehabilitation, neighborhood conservation and slum clearance. No one tool will do the job. Each is absolutely essential to the effectiveness of the other.

There is no justification for Federal assistance except to cities which will face up to the whole process of urban decay and undertake long-range programs:

(1) To prevent the spread of blight into good areas of the city through vigilant maintenance of housing and neighborhood standards and strict occupancy controls.

(2) To rejuvenate areas worth saving into sound, healthy neighborhoods by replanning the areas, removing congestion and adverse uses, providing parks and playgrounds, reorganizing streets and traffic to protect the renewed neighborhoods and both compelling and encouraging physical rehabilitation of all structures worth saving.

(3) To clear out nonsalvageable structures and obsolete land uses through clearance and redevelopment.

The Subcommittee, in the course of its work, consulted with many people engaged in fighting slums in cities throughout the country. There was virtually no dissent from the point of view that the kind of planned, coordinated campaign described above is absolutely essential to slum elimination and should constitute the minimum objective of a Federal assistance program.

It may be argued that it is hopeless to expect cities to meet such objectives. If so, it is the considered conclusion of the Subcommittee



that our slum conditions are hopeless and the justification for the present program under Title I of the Housing Act of 1949 should be reexamined.

But such is not the case. There is overwhelming evidence of a great and growing spirit in the cities to face realistically the requirements for slum cure. City after city has profited from the early experiments in Charlotte and Baltimore and moved on to larger efforts. Programs are now developing in scores of cities. Model State enabling acts have been suggested by a number of national organizations, and most recently by a special study committee appointed by the FHA Commissioner. Illinois has passed an "Urban Community Conservation Act." Miami, New Orleans, Los Angeles, Philadelphia, and Chicago all have taken the essential first step in effective code enforcement by consolidating the housing law enforcement machinery in a single municipal agency.

The performance to date has not been in scale with the enthusiasm, for the programs are new and developmental. However, there is broad agreement that the slum prevention-rehabilitation-conservation effort is a vital missing part in the slum elimination mechanism.

There is also extensive apprehension that the surging enthusiasm for this new approach to slum elimination might result in poorly planned and poorly organized efforts which, while achieving only superficial results, would divert attention from the serious business of real slum clearance and slum prevention.

The prevention-rehabilitation-conservation programs to date in a number of cities, the achievements and inadequacies of these efforts, and the requirements for effective action have been carefully studied and reported by two special consultants retained by the Subcommittee for that purpose. This report is entitled "Slum Prevention Through Conservation and Rehabilitation." Although the members of the Subcommittee did not necessarily accept their conclusions, the findings of the consultants represent an important contribution in this field.

### The Subcommittee's Findings and Recommendations

1. Examination of the financial condition of American cities shows a wide disparity in their relative abilities to raise the funds required for slum elimination. Similarly, there is a great difference from city to city in the size of the slum problem and the cost of slum cure. It is clear that one of the major sources of difficulty among the cities is the widespread failure of our cities and States to resolve the metropolitan area problem. Artificial political boundaries which bear no relationship to the economics of the metropolitan community contribute to the downward cycle by which middle and upper income fami-



lies are continually exported to the outlying suburbs, while lower income immigrant families are drawn to the crowded central city. This cycle inevitably reduces the city's ability to raise revenue while increasing the demands upon it for services. To a considerable extent, the slum problem and our ability to deal with it will depend upon our resourcefulness in resolving the problems of metropolitan area planning and taxation.

It is impossible to generalize as to the financial capacity of cities as now constituted to deal with the slum problem, but there is a broad unanimity that Federal financial assistance is required in order for the cities to be able to do the job. There is equally broad agreement that Federal assistance is necessary in order to induce the kind of local action which slum elimination requires.

*Recommendation No. 1:*

The Subcommittee recommends that Federal Assistance to cities be continued on the same general formula established in Title I of the Housing Act of 1949 and that the existing provisions of Title I remain in full force and effect except for such amendments as are necessary by virtue of the Subcommittee's recommendations in this report.

2. The objective of the Federal assistance program should be to help the cities help themselves eliminate their slums. It therefore should be geared to require cities to face up to the whole process of urban decay. It should encourage the widest possible ingenuity, initiative, and discretion at the local level, but it should require clear and certain evidence as a precondition to Federal aid that the city is realistically addressing itself to the processes by which slums are formed, and is not simply engaging in superficial, piecemeal approaches which will waste both Federal and local funds and fail to accomplish the objective.

*Recommendation No. 2:*

The Subcommittee recommends that the extension of Federal financial assistance be conditioned upon the submission by the local community of a workable program to attack the problem of urban decay, as provided in recommendation No. 8.

This recommendation should be implemented through an amendment of Title I of the Housing Act of 1949, imposing as a condition to the obtaining of Federal assistance the submission of evidence in conformity with the recommendation.

3. Urban redevelopment, rehabilitation, and conservation should not be regarded as separate methods of dealing with slums. Each of these processes is an indispensable part of the overall urban renewal



process. They are closely interlocked. Well planned urban renewal projects will, in most instances, involve clearance and redevelopment of some land, rehabilitation of some structures, and conservation of the entire neighborhood.

The program under Title I of the Housing Act of 1949, as interpreted and administered in the past, has largely supported clearance and demolition programs. Under the broadened concept herein recommended, it is intended that loans and grants will be made for the reestablishment of sound, healthy neighborhoods in urban renewal areas.

*Recommendation No. 3:*

The Subcommittee recommends that Title I of the Housing Act of 1949 be broadened as necessary to provide financial assistance to cities for well planned neighborhood projects, at any stage of the urban renewal process, which will clear blight and establish sound, healthy neighborhoods. Grants to local communities should be continued on the present basis of not to exceed two-thirds of the net project cost.

To effect this recommendation several changes in the provisions of Title I of the Housing Act of 1949 are necessary. In general, Net Project Cost is the difference between Gross Project Cost and the proceeds derived from the disposition of the cleared property. It in no event includes the cost of rehabilitation to existing structures or the erection of new structures. Gross Project Cost includes the total expenditures in connection with the project and covers the cost of necessary public improvements in the renewal area, such as streets, utilities, parks, playgrounds, and other public facilities required for carrying out the respective plan for the urban renewal area. Among the more important amendments to Title I of the Housing Act of 1949 are these:

(a) The term "Project" as presently defined in Title I of the Housing Act of 1949 should be amended to revise and broaden the existing project eligibility requirements in conformity with the Subcommittee's recommendations and to embrace the activities involved in a comprehensive urban renewal program, including rehabilitation and conservation as well as slum clearance and redevelopment, and

(b) The term "project area" in Title I of the Housing Act of 1949 should be changed to cover an "urban renewal area." The term "urban renewal area" should be defined, in substance, to embrace any urban area designated by the local community as appropriate for renewal and determined to be deteriorated, deteriorating or threatened by blight, and respecting which the city has evolved programs for clearing existing blight and for restoring the area to a sound, healthy condition;



(c) The provisions in Title I of the Housing Act of 1949 pertaining to loans, capital grants, and advances should be changed to authorize such financial assistance for urban renewal activities. This assistance should extend to the making of grants to public bodies for the preparation of plans for urban renewal areas. The amount of grants made for plans should be deducted from the total grants for which the city would otherwise be eligible in connection with that particular project.

(d) Title I of the Housing Act of 1949 should be further amended to exclude from its scope any public facility or improvement which is outside the boundaries of the urban renewal area.

4. There is confusion, duplication, and conflict in the present organization of the Housing agencies. The confused organizational structure impedes the administration of the present slum clearance and urban redevelopment program. Whatever the eventual recommendation may be as to the reorganization of the Housing agencies, it is clear that responsibility for administering the Federal assistance program in the urban renewal field should be assigned to an agency of Government with a status comparable to that of the PHA and the FHA. The program is new and developing. It has experienced the normal growth pains. But the red tape, delay, and overzealous supervision of local action can only be corrected by a combination of improved organizational structure, clarifications in the law, and improved administration. The latter step appears to be successfully under way.

*Recommendation No. 4:*

The Subcommittee recommends that an Urban Renewal Administration be established at a level in the housing organization similar to the status of PHA and FHA.

To effect this recommendation, the provision of Title I of the Housing Act of 1949 providing for the appointment of a "Director" to administer the program will have to be revoked and in lieu thereof appropriate provisions will have to be inserted for the establishment of the Urban Renewal Administration and the appointment of a head or chief of such administration having the same legal status as the heads of the other constituent units of the Housing and Home Finance Agency.

5. In order to permit reasonably long-range planning of local slum-elimination programs, the Urban Renewal Administration must know several years in advance of actual appropriation the extent of the funds that will be available to it.

So far, this has not constituted a problem, as the rate at which redevelopment projects have been planned and processed has been only slightly in excess of \$50 million per year. It is not budget considera-



tions which have controlled the pace of the program, but the capacity of the cities to plan and execute the projects, to relocate the families in the clearance areas, and to absorb the overall impact of the program on their communities.

As the broader-gaged, more flexible urban renewal program herein proposed takes shape, the pace will increase and the time will soon arrive when requests for assistance will press against the ceiling of presently authorized capital grants. At that time, perhaps by 1955 or 1956, financial requirements of the program must be reexamined.

The experience gained by that time with the cost of urban renewal will permit the President and Congress to relate the desired pace of slum elimination to budget requirements more realistically than is now possible. The amount of annual budget allotments will be influenced by the capacity of the cities to absorb the program, the available supply of housing, and the possible use of the program to help bridge transitional dips in the nation's economy. In this latter respect, it is important to note how quickly a speed-up in this program might help to bolster the economy of the country while achieving immensely constructive results throughout our cities. It not only will help eliminate slums and improve the condition of housing, it will also result in the expenditure of large sums in needed public improvements and will constitute an important stimulant to the entire building industry.

*Recommendation No. 5:*

The Subcommittee recommends that an Urban Renewal Fund be established to provide loans and grants to local communities for urban renewal. The size of the fund should be sufficient to permit necessary advance planning. It should be augmented yearly in such amounts as the administration and Congress may determine, with due regard to (1) the capacity of the program and the desire as to its pace, (2) the ability of the Federal Government to provide funds for the necessary grants, (3) the Federal grants and fiscal policies as they relate to all other grants and subsidy programs of the Federal Government, (4) the impact which the financing of all Government subsidy programs which may be authorized will have on the supply of investment funds. The presently authorized and unused grant funds under Title I of the Housing Act of 1949 should be transferred to the urban renewal fund and are adequate to cover requirements for at least the next fiscal year.

An amendment to Title I of the Housing Act of 1949 to provide for the establishment of such fund is required. Provisions should be made for transferring to the Urban Renewal Fund loan and grant funds authorized under the existing provisions of Title I of the Housing Act of 1949.



6. The idea of slum prevention and rehabilitation of existing structures and general urban improvement is an old one, but the processes required to make such ideas effective in clearing blight and preventing its spread are only now being developed. The strides that have been made in the past few years are outstanding, but no city in the United States yet has a truly effective program in operation. There is great and valid hope that these ideas can be evolved into tremendously important processes for slum elimination, but the job is still ahead. Because the pressure for slum elimination is so great, yet the difficulties in the way of effective action so real, there is always great danger that programs will be launched with much enthusiasm and at considerable expense which do not really measure up to the task and cannot achieve the results required. There is danger that we will fail to make the hard decisions and do the hard work that effective prevention-rehabilitation-conservation demands. Because it is so important that this approach be developed to its full potential, and because it would be so disastrous if it failed without being thoroughly and responsibly undertaken, the entire Nation has a deep interest in the efforts which the cities make and the progress that is achieved.

By broadening Federal assistance under Title I of the Housing Act of 1949 to help induce action by the cities in this field, the Federal Government can provide the trigger for a chain reaction of thoughtful and effective local action which could end in the elimination of urban slums. But it could also set in motion excitement and enthusiasm for superficial undertakings hopelessly incapable of doing the job for which the assistance is furnished.

*Recommendation No. 6:*

The Subcommittee recommends that an Urban Renewal Service be established in the Urban Renewal Administration to provide cities, at their request, with technical and professional assistance in planning and organizing programs for urban renewal. This service would develop information on action being taken among cities throughout the country. It would analyze the various programs and report their achievements to other cities which were interested, in order that every city might benefit from the experience of others. It would help point up the requirements for effective slum prevention and slum clearance, and would generally assist cities in meeting the objectives set by the Urban Renewal Administration as pre-conditions to eligibility for financial assistance under the urban renewal program.

In order to carry out this recommendation, Title I of the Housing Act of 1949 will have to be amended to authorize the establishment of an Urban Renewal Service and to empower the Service to perform



the particular functions outlined above and the function of determining whether cities have made overall approaches to the problems of decay as provided in the recommendations below.

7. Obviously it will not be possible for declining areas to be restored to sound, healthy neighborhoods unless there is financing available for the construction and purchase of new housing for sale and rent and for the rehabilitation of existing structures. The nonavailability, in declining areas, of financing opportunities equal to those which are available in newer neighborhoods contributes to the cycle of deterioration and impedes efforts to check it.

*Recommendation No. 7:*

The Subcommittee recommends that long-term FHA financing be made available in renewal areas on terms at least as favorable as are available elsewhere in the city for purchase, construction, or rehabilitation of housing for rental or owner occupancy.

FHA should be granted additional legislative authority, if it presently lacks it, to enable it to provide such financing in renewal areas.

8. In extending financial assistance under the present slum-clearance program, the Administrator is required to "give consideration to" the extent to which the city is developing more modern building codes and preventing the spread of blight through enforcement of health, sanitation, and safety codes.

If we really mean business about slum elimination, this section of the law must be broadened and the administration of it strengthened.

*Recommendation No. 8:*

The Subcommittee recommends that before qualifying for grants under the amended program of Title I of the Housing Act of 1949 the locality shall present a workable program to attack the problem of urban decay, through programs designed to (1) prevent the spread of slums, (2) rehabilitate existing structures and neighborhoods, and (3) clear out nonsalvageable dwellings and obsolete land uses and establish a locality of sound, healthy neighborhoods.

To effect this recommendation, appropriate amendatory legislation should be enacted directing the Urban Renewal Administration to condition the availability of the Federal assistance in question upon proper showings of accomplishment in line with this recommendation and the recommendation next following.

9. In order for the FHA to insure long-term mortgages in deteriorating and blighted areas it must be satisfied that the locality has taken steps necessary to remove the blight and establish the area as a sound, healthy neighborhood in which the maintenance of long-term values can be reasonably anticipated. Similarly the PHA must be



satisfied that the locality has taken steps sufficient to meet the pre-conditions to public housing grants. These determinations, as well as those of the Urban Renewal Administration, will require the setting of objectives and the examination of programs in the locality in relation to those objectives.

*Recommendation No. 9:*

To avoid confusion and conflict, the Subcommittee recommends that the Urban Renewal Administration advise the Housing and Home Finance Administrator of the plans and programs a city has developed for attacking the problem of urban decay and that the Housing and Home Finance Administrator then certify to the FHA, PHA, and URA whether or not that city qualifies for the Federal assistance requested.

To carry out this recommendation, appropriate amendatory legislation is desirable. However, the objective may also be attained through administrative measures under a reorganized housing agency.

10. The performance of individual cities in this broadened concept of urban renewal will vary widely. It is tremendously important that the highest level of performance be encouraged not only because, over the long pull, it will minimize the need for Federal aid, but also because in a field as new as this, outstanding performances by one city light the way for others. Traditionally, Federal grants are made on a pro rata formula to cities or States. To comply with the spirit of this tradition, while encouraging high level performances by the cities, the Subcommittee recommends:

*Recommendation No. 10:*

That two-thirds of the funds available for capital grants may be allocated under the limitations contained in Section 106 (e) of Title I of the Housing Act of 1949, as amended, imposing a maximum upon the amount of capital grants that may be made in any one state. The remaining one-third of the funds available for capital grants may be allocated, at the discretion of the Urban Renewal Administration, without regard to Section 106 (e) of the Housing Act of 1949 to those cities showing the highest level of performance in an overall approach to the problem of urban decay through (1) programs designed to prevent the spread of slums; (2) rehabilitation of existing structures and neighborhoods, and (3) clearing out non-salvageable dwellings and obsolete land uses and establishing a city of sound, healthy neighborhoods.

Section 106 (e) and other provisions of Title I of the Housing Act of 1949 will have to be amended to carry out this recommendation.

11. It is especially important to develop in at least a few cities in



the United States pilot projects of effective local action at all stages of the slum prevention-slum elimination process. The experiences of cities in connection with such demonstration projects will be tremendously useful in guiding citizens and local officials of other cities. There is much to be learned about what is required to make prevention—rehabilitation—conservation ideas effective. In order to test methods and techniques and to assist in lifting the level of performance by other cities which also may aid in a raising of standards throughout the country, the Subcommittee recommends:

*Recommendation No. 11:*

That a special fund of \$5 million be set aside from the grant authorizations available to the Urban Renewal Administration to be used in developing, testing, and reporting slum prevention and elimination techniques in one or more American cities.

The city or cities to which these special grants are made should be selected on the basis of the value to other cities and to the Federal Government of lessons learned in the pilot city and of the readiness and capacity of the city to cooperate in and contribute effectively to thorough-going urban renewal programs.

The funds should be available without regard to the purposes for which regular loans and grants may be made available and without regard to the restrictions imposed upon other loan and grant funds. They should be available on a two-thirds grant basis for such items as operating expenses, special staff studies, rehabilitation experiments, and other undertakings which would contribute to the development and testing of techniques in slum prevention and slum elimination.

Detailed records should be maintained of costs and results. The information would be made available through the Urban Renewal Service for other cities to study, analyze, and act upon.

The provision of the necessary authority to carry out this recommendation requires the amendment of Title I of the Housing Act of 1949 by the addition of a special provision.

12. There is great need for vigorous and responsible leadership of a national effort to promote the kind of broadscale, integrated urban renewal program envisaged in this report. In order that that effort may join together top leaders in business, labor, trade, civic, and religious organizations in a common, nationwide campaign, the Subcommittee recommends:

*Recommendation No. 12:*

That a broadly representative private organization be formed outside of the Federal Government with congressional and/or Presi-



dential sponsorship to mobilize public opinion in the support of vigorous and effective action by the cities in slum prevention, neighborhood conservation, and other urban renewal activities.

This recommendation could be carried out by the enactment of a special act of Congress to authorize the formation of a nonprofit privately financed corporation under sponsorship of the Federal Government.

13. There is a direct and important relationship between the ownership of housing for low-income families and the creation of slums. Irresponsible and unconscionable people are persistently taking advantage of the cities' failure to enforce their occupancy controls and their health, sanitation, and safety codes. The ugly business of slum racketeering contributes extensively to the spread of slums and to the high cost of slum property in demolition areas. It would be extremely helpful to the slum prevention—slum clearance effort to put ownership and operation of slum property in the spotlight. This would be immediately effective in arousing local communities to more effective action and in discouraging ruthless exploitation of low-income families. It would contribute to the development of a climate of opinion in the communities in support of code enforcement. It would facilitate the development of laws and the invoking of court actions and proceedings to prevent slum owners from profiting through the illegal operation and maintenance of slum properties. All of this would reduce costs to the local communities and would help to reduce the cost to the Federal Government of the urban renewal program.

*Recommendation No. 13:*

The Subcommittee recommends that the national organization proposed above encourage inquiries into the ownership and operation of slum property and the failure of cities to compel compliance with their health and housing codes. Such inquiries by public bodies, newspapers, or private groups alert communities to the nature of the slum problem and some of its principal causes and are thus important first steps in activating public opinion in support of effective slum prevention and urban renewal programs.

14. The net cost of slum clearance and redevelopment should be reduced by every possible means in order to spread available grants over the widest possible area.

*Recommendation No. 14:*

The Subcommittee recommends that (a) grants for renewal projects should only be made to cities which launch two-fisted occupancy code enforcement campaigns in the demolition areas. Income based on illegal occupancy should be wrung out of slum property before



appraisals are made to determine market value for acquisition purposes;

(b) Code enforcement should be employed to the fullest extent possible to achieve, without compensation, compulsory demolition of dwellings unfit for human habitation and too far gone to be rehabilitated. This opportunity would be enhanced if, in the event of such demolition, the residual value ascribed to the building and the cost of demolition were, for tax purposes, allowed as depreciation instead of being added to land value;

(c) Unnecessary demolition of salvageable structures should be avoided wherever resourceful planning can fit the existing structures into a sound reuse plan;

(d) Project planning on a limited, piecemeal, few-blocks-at-a-time basis should be avoided under the amended Title I of the Housing Act of 1949. Neighborhood planning on a large area basis as a part of a comprehensive city plan will permit bold and imaginative reuse planning and will often create values which cautious, limited, piecemeal planning will fail to uncover.

(e) Clearance projects should aim at clearing slums and deteriorated areas, converting land to its logical best use. Overemphasis on housing for reuse should be avoided and the land should be put to industrial, commercial, institutional, public, and residential use, or any combination thereof, in accordance with comprehensive planning considerations;

(f) Greater proceeds should be obtained from marketing cleared land by offering it for reuse under the conditions most favorable to its true value. Land is now offered for sale in advance of acquisition. The years of delay militate against a top price. The cities should have the courage to back up their planning and should proceed with acquisition and clearance before offering the land for sale. It should be marketed when reasonably short-term delivery can be assured.

These recommendations can best be carried out through proper administrative procedures and techniques and, hence, they are directed primarily to Federal and local officials engaged in urban renewal activities. No legislative action is deemed necessary to carry out these recommendations. The tax aspect is one that should be considered by the Treasury Department.

15. These programs for slum prevention and slum clearance will reduce the total supply of dwelling units available for occupancy. New housing must be built in sufficient quantity to meet this reduction in housing supply, satisfy the demands of urban growth, and wipe out present housing shortages.



But the tightness in the housing supply in most cities, the lag in price adjustments, and the proven vulnerability of low-income families to exploitation add up to a valid demand for relocation housing for low-income families under public control and with some form of Government financial assistance, as an expansion joint in the slum elimination process.

The need for relocation assistance is accentuated by the concentration of minority groups in the tightly congested central areas. The extensive immigration of minority groups to the large metropolitan centers piles additional families into these areas for they have nowhere else to go. Additional areas of housing for minority groups are desperately required in order that the normal operations of the housing market may be more effective in meeting the relocation needs of all groups.

The Subcommittee is not agreed on the precise mechanics by which relocation housing can best be supplied. However, it is agreed that the following considerations should influence the final solution:

*Recommendation No. 15:*

There should be wide flexibility in adapting relocation solutions to the conditions and requirements of the local communities. The fullest possible use should be made through thoughtful relocation planning of available new housing and good used housing in the existing inventory.

Areas must be opened up to meet the housing needs of all groups.

Long-term FHA mortgage insurance should be used to the fullest possible extent in meeting relocation needs.

If and when public assistance is required in connection with relocation, the lease of existing or new housing and the purchase of housing in the existing inventory should be thoughtfully considered.

The Subcommittee is divided as to whether or not there is justification for public low-rent housing under any circumstances. Some members of the Subcommittee, while acknowledging the need for subsidy in this field, consider such housing unnecessary and undesirable. Others believe that there is a residual need in some cities that can only be met through new low-rent public housing, and that the entire slum clearance program in those cities is dependent upon its being supplied.

16. One of the difficulties in slum elimination is the inadequacy of facilities for planning, prevention, or clearance programs in the smaller cities and the urbanized communities at the fringes of large cities. In composite these areas are large, but individually they are



small political entities with little or no funds for the planning facilities which their problems require.

Of great importance also is an attack on the urban renewal problem on a metropolitan or regional basis, including the preparation of metropolitan housing market analyses and the integration of the renewal and development plans, programs, codes and controls of the numerous local governments in these areas.

To help meet these problems, the Subcommittee recommends:

*Recommendation No. 16:*

That grants be made on a matching basis to State or metropolitan area governmental planning agencies to cover the cost of technical assistance for small cities and towns and for metropolitan regions within the States.

Title I of the Housing Act of 1949 will have to be amended to carry out this recommendation. Such amendment would authorize the Urban Renewal Administration to make grants on a matching basis to state planning agencies for the provision of technical assistance of the type outlined in this recommendation.

17. Real estate investment is one in which a recapture of capital cannot be contemplated except over a long period. At the same time, it is an investment that is apt to suffer protracted variations in income during the period of capital return.

Tax policy should take these characteristics into account. Consideration should be given to permitting substantially greater choice in deducting depreciation for tax purposes and for allowing a longer period for averaging income than the present 1-year carry-back and 5-year carry-forward provisions.

Present rules against collapsible corporations also create a deterrent to investment. If stock in a real estate owning corporation is sold within 3 years after completion of the project, profit on the sale must be considered as income rather than capital gain. The result is a freezing of the capital structure of such corporations and a corresponding reduction in availability of venture capital.

Consideration should be given to an allowance for the depletion of land value in estimating deductible depreciation. Under present rules, land is considered to have constant, or appreciating value, whereas actually, with a shift in neighborhood characteristics, land may suffer a substantial loss of value. Such an allowance would encourage long-term investment.

Under present rules, when an obsolete property is demolished, the residual value ascribed to the building and the cost of demolition is considered to be part of land value and cannot be depreciated for tax



purposes. This policy obviously deters the removal of obsolete structures.

The acquisition or building of property by a tax-exempt organization for investment may be considered by the Internal Revenue Bureau as "the carrying on of a trade or business." Uncertainties in this respect discourage a type of investor that might be satisfied with a relatively small or average return over a long period.

Repair and maintenance of owner-occupied property would be encouraged if it were possible to deduct such expenditures in calculating current net income. This in itself would be a great deterrent to the creation of slums.

*Recommendation No. 17:*

The Subcommittee recommends that the President instruct the Treasury Department and request the appropriate Congressional Committees to study the question as to whether there are tax inequities which deter private investment in rental housing, and based on such findings, to take appropriate action.

18. Representatives of ODM and FCDA have stated that the concentration of people and industry in our large cities makes these cities prime target areas and that this concentration makes the United States exceptionally vulnerable to atomic attack.

They state further that "the obvious antidote is to multiply the target and thus dilute the vulnerability", that we must reexamine the form in which our cities are growing, that we must "reduce densities" and improve the "spacing" in our urban centers, that we should "encourage construction outside of prime target zones."

The Federal Government, through the composite of its mortgage insurance and financial aid programs, is capable of exerting great influence on the development and redevelopment of American cities. But the exercise of such influence would involve major disruptions to the normal processes of community development in the country. The representatives of ODM and FCDA made no recommendations for specific action and until their thinking on the subject has become crystallized, the Subcommittee recommends:

*Recommendation No. 18:*

(1) That a very close and confidential relationship be established between the defense agencies and the heads of the housing agencies so that Federal housing efforts may be directed in a manner which will not be inconsistent with the progressive stages of defense planning.



(2) That the Housing and Home Finance Administrator, after becoming acquainted with the problems and goals of the defense agencies, be directed to have studies made by the heads of all Federal housing agencies, to determine what steps could be taken by each agency to assist in meeting these goals and how best to carry out its part of an overall plan.

(3) That each of these housing agencies determine which steps can be taken under existing legislation and determine the need for additional legislation.

(4) That such additional legislation be carefully prepared and made ready for introduction when necessary.

(5) That the Urban Renewal Administration, in working with cities in the planning of redevelopment programs and in the planning of renewal areas, keep in mind the layout of parks, playgrounds, and other open land in such manner as to constitute effective firebreaks in the event of major conflagrations.



## EXHIBIT 1

WASHINGTON, D. C.,

November 24, 1953.

MR. JAMES W. ROUSE,

*Chairman, Subcommittee on Urban Redevelopment, Rehabilitation,  
and Conservation,**Advisory Committee on Government Housing Policies and Pro-  
grams, Washington, D. C.*

DEAR MR. ROUSE: I am submitting herewith a report entitled "National Objectives for Housing and Urban Renewal" for the consideration of your Committee.

The Housing Act of 1949 set forth for the first time a national statement of housing policy. This included a determination that the welfare of the people in our cities requires the clearance and rebuilding of slums and blighted areas.

Since that time many cities have participated with the Federal Government in those programs. Much of the necessary State legislation, court decisions and experiment with methods has been accomplished. As the program has proceeded it has been more and more clear that we were dealing with projects, not with comprehensive programs for renewing our cities.

It is now clear that our objectives must be broadened. We are producing slums faster than we can demolish them. We must protect and conserve existing parts of cities to slow down this process of blight. We must recognize that the real cities are entire metropolitan areas, and that metropolitan development affects very much the development potential of central cities, and their possible tax revenue.

I have accordingly given attention to the metropolitan problem, the needed programs of urban renewal and the objectives for a total housing program which are all interdependent.

It has been a great pleasure to work with your Subcommittee and a privilege to join to some extent in your deliberations. I am confident that your report will be of great usefulness in helping to determine the national policies which will be adopted.

Very truly yours,

ROBERT B. MITCHELL,  
*Consultant.*



## NATIONAL OBJECTIVES FOR HOUSING AND URBAN RENEWAL

A Report to the Subcommittee on Urban Redevelopment, Rehabilitation and Conservation, of the President's Advisory Committee on Government Housing Policies and Programs

*By Robert B. Mitchell, Consultant, Professor of City Planning, the University of Pennsylvania*

Our Nation and people bear today the greatest responsibility of our history. While maintaining that economic and military strength on which the free world depends, we must continue to nourish our fundamental freedoms, enhance the welfare, prosperity, and internal security of the Nation, and advance without hesitation the health and living standards of the American people. In doing this we shall demonstrate to the world the dynamic ability of a free nation to attain those ends toward which all men are striving.

In these days we can tolerate no timid programs. Boldly and positively we must adopt those policies and undertake those actions which will best serve our national aims, and so serve the American people.

The necessary policies and action programs will cover a wide range of national concerns. High among them must be these firm objectives: that the Nation shall undertake, as never before, the strengthening, improvement, and continuing renewal of the villages, cities, and great metropolitan regions of America which are increasingly vital to our way of life, our economic system, and our national security; and that every American family shall have the opportunity to live in a decent home.

These ends are so related that one cannot be attained without the other. They require an integrated, bold, positive program: a program to build better cities and homes for Americans.

### **The Problem of the Cities**

We have never, as a Nation, undertaken seriously to make our cities fit habitations for the American people. We know that community pride and loyalty is the beginning of patriotism. We know that in our local communities we have the first lessons of citizenship. We have discovered that much of the efficiency of our economic life is dependent upon the functioning of urban areas. And now in midcentury we are shocked into the realization that modern weapons of war have made our densely packed urban concentrations so vulnerable to attack that the security of the Nation would be seriously threatened in another war.



We have never really faced up to the problems of our cities and determined as a Nation to solve them. We have talked and written for two decades about the menace of urban blight and slums. A few blighted and slum areas have been cleared through a partnership of local and Federal Government, but we have to look for these spots carefully to find them. Meanwhile the forces of obsolescence, neglect, and exploitation have been allowed to compound the problem.

Healthy, sound, useful, urban areas are subject to premature decay because we have allowed air pollution, heavy through traffic, inadequate public services, overcrowded land and buildings, and other influences to make them undesirable in competition with newer, outlying districts.

The forces of spreading blight have cracked morale in many neighborhoods. As a sense of hopelessness replaces confidence the disintegration is speeded. Social disorganization and delinquency follow, and another slum is created.

Most metropolitan central cities are surrounded by belts of rapidly growing suburban areas in one or more counties and divided into a multiplicity of local governmental jurisdictions. With some notable exceptions this suburban development has occurred by the spatterdash method, with varying degrees of building or land use control, of planning, of public services and of taxation.

Newly developed suburbs attract upper- and middle-income population from the deteriorating central cities; but often they are poorly laid out, constructed, and serviced and eventually show the symptoms of blight found in the older cities, except for density of development. Reliance on the real-estate tax and fractionated governmental service areas produce grave problems of tax revenue in many suburbs as lower-income families move in.

Central city problems are compounded as population, trade, and industry of high taxpaying ability are lost to the suburbs and lower-income migrants enter the cities. The revenue base is decreased while the demand for expensive services is vastly increased.

Metropolitan regions are formed within a play of divisive forces which prevent any organic structure of governmental services or finance or of physical layout and facilities. It is no wonder, then, that local communities are financially pressed, poorly serviced, and strangled with increasing traffic congestion.

Into this picture of congestion, decay, disorganization, and insolvency is injected a new warning. The metropolitan region is vulnerable to the atomic bomb and other modern possibilities of long-range aggression.



Deterioration of cities and disorganization of metropolitan regions is decay at the heart of the Nation; but the concentration of population, communication, and transportation facilities and productive plant in congested urban centers invites national disaster. The welfare and security of the Nation require an all-out national program of urban renewal and development.

Then what must be the specific goals of this national effort? The situation is far from hopeless because all cities are constantly changing. All have, to some degree, a constructive vitality. This gradual change can be guided and facilitated, even speeded, to achieve the healthy cities and urban regions we desire.

### Metropolitan Integration and Development

We want to reshape our metropolitan regions so that congestion is reduced, and the physical structure is articulated into an efficient, locational pattern of residential, shopping, governmental, and industrial areas properly interrelated, and served by an efficiently laid-out system of transportation, communication, and other utility systems with well-spaced park and recreation areas and other common facilities.

We want to find the means of best serving these metropolitan regions with a reshaped governmental structure which can leave as much local determination as possible to smaller communities within the region, and yet provide on a regional basis those services which can be most effectively and efficiently provided in that way.

We must solve the disorganized and conflicting problems of governmental finance and taxation in metropolitan regions in order to place them on a sound fiscal basis and to remove tax variations which distort otherwise reasonable patterns of development.

We must awaken among the people of these regions an awareness that central cities and suburbs are interdependent and cannot survive in the present governmental and physical chaos. We need some regional agencies to analyze, invent, and suggest acceptable solutions to these problems.

We must have bold regional planning to guide the regeneration of these amorphous urban areas as efficient, functionally sound, and organic physical structures.

We must develop the means to assure the ability of these regions to adapt to growth and changing needs without the accumulation of obsolescence and maladjustment which have produced our present urban ill health.

Solution of these metropolitan problems is not a Federal task. They must be tackled within each region, with State encouragement and assistance. However, we should make sure that any Federal aids to programs of urban renewal or to urban highway improvement, or to



other physical development projects in urban areas be conditioned upon a continuing effort within the regions to accomplish these broad purposes. Without this assurance Federal funds may well be inefficiently expended.

States should give aid and encouragement (as some States do) to programs of regional integration and development through revision of permissive legislation, where necessary, and through technical assistance for regional planning. States might establish special commissions to discover, analyze, and report on measures for accomplishing needed regional integration and development.<sup>1</sup> Federal assistance might be granted the States on a matching basis for these purposes.

### Urban Community Renewal Programs

In cities and other jurisdictions within metropolitan areas and in cities and towns outside such areas we must undertake broad-scale urban renewal programs aimed at rearrangement, conservation, and rebuilding of the communities, and restoring their vitality.

These programs should take place within the framework of metropolitan plans and programs as set forth above, where they fall within such areas.

We want to accomplish a *positive* objective, in our cities, of building and renewal to achieve a physical structure which can most appropriately and efficiently serve the people, institutions, and businesses which make up the cities. This involves control of the quality of new development and a readjustment of land use patterns so that houses, schools, shops, and factories are well located in relation to each other and are not crowded for space; so that overcrowding of land or structures is eliminated and so that we can expect to minimize the effects of disasters or aerial attacks in possible war times.

We want to be sure that all parts of these areas are well and efficiently served by systems of facilities for transportation, communication, water supply, sanitation, power, education, recreation, and welfare.

We want to conserve and protect central city districts and build them constructively to accommodate those functions and activities which are needed there, and to remove the overcrowding and congestion caused by the presence of those businesses and activities which do not need to be there.

We need to improve and protect manufacturing areas at appropriate locations, providing them with means of easy access and with any needed room for expansion.

<sup>1</sup> For example, the California legislature established a Metropolitan Transit Commission for the nine counties of the San Francisco Bay Area and has appropriated more than half of the funds needed (the remainder put up by the counties) for a 2-year, comprehensive plan for transportation in the Bay Area to cost three-quarters of a million dollars.



We should strengthen outlying shopping centers in appropriate locations with any necessary rearrangement of streets and buildings and with adequate parking space.

We must improve the conditions of life in all urban residential areas through rebuilding those parts which can no longer serve their inhabitants usefully, through improvement, rehabilitation, and adequate maintenance of structures with a remaining useful life, through protection of all homes from adverse influences, through rearrangement of streets as necessary to reroute through traffic away from residences, through opening up spaces for parks, recreation grounds, and schools, through provision of needed common services and facilities and through community organization to build morale and instill a resurgence of pride and confidence.

We must undertake good municipal housekeeping in all areas of our cities, controlling nuisances, development and occupancy, maintaining order and cleanliness and rendering adequate common services as well as services to families and individuals suffering from problems of health, dependency or maladjustment.

We must rehabilitate the financial soundness of municipal governments and make necessary readjustments in the incidence of taxation which may distort desirable community development.

Remembering that the health and soundness of a community is reflected partly in its suitability to serve the life of its people, and partly in its immanent power to replace worn-out cells, and to maintain and adapt itself to changing requirements, we should strive to create those circumstances and relationships within our cities so that they will have this constructive vitality.

There is a growing determination among local governmental and civic leaders that our cities shall be built better and then conserved, protected, and gradually rebuilt, to serve more effectively the needs of modern urban life. In more specific terms, we should try to accomplish these things:

All new development added to our cities should be appropriate according to comprehensive city plans, and should be so located that it can be serviced economically with utilities, schools, and other public facilities. The quality and design of this new development should be guided by zoning ordinances and subdivision control to prevent malformations in the urban body. We should not allow new additions which will be subject to premature obsolescence or deterioration.

All existing development which is not ready for land use change or demolition should be conserved and protected to the degree appropriate and feasible. This applies to business and industrial areas as well as to residential neighborhoods and individual structures.

No city can be rebuilt over night. The pace of rebuilding must



be geared to the requirements of the people and business firms which make up the city, to the resources available, and to the constructive vitality of the community which is its regenerative power. Some cities can change and build rapidly; others at a much slower rate. With all its shortcomings and its accumulated debt, the bulk of the city's physical plant is a capital resource which is inherited and which is necessary to economic survival. We must find the right balance between conservation of that capital resource, and its reshaping and replacement.

At what quality should we aim in the maintenance and rehabilitation of the existing areas of the city? Let us not be dreamy-eyed about it. We must accept a wide range of quality. We should put a floor under the minimum standards we will accept in any neighborhood. But above that minimum standard we should expect that some neighborhoods will maintain high quality and a high economic ability of occupants as Beacon Hill has in Boston. From time to time other areas will rise or decline in prestige, desirability, and attractiveness to economically strong occupants.

We should not try to pattern all urban residential areas on the stereotype of the neat, middle-class residential suburb, geared to the values and status-aspirations of its inhabitants and centered about children. There are all kinds of people in cities, who live according to different standards and want different things. There are traditional urban ways of life, and others with roots in small towns and rural areas.

To the extent that the "filtering down" process works in providing housing for lower-income people, some residential neighborhoods will have to decline in quality of maintenance, in modernity, in status. "Filtering down" implies both neighborhood change and population movement by individual families and by income, racial, and religious groups. The same process works in commercial areas.

This kind of normal and expected change should not be confused with "blight." No program of neighborhood conservation can or should prevent this kind of change. Then what are the purposes of conservation and protection?

First, irreducibly and universally throughout the city we want to maintain a standard of decency and order which will promote the self-respect of people, adequately serve family life, and prevent physical surroundings which are unsafe or unhealthful or destroy community and citizen morale.

To this end we must require all buildings to be kept structurally safe and safe from fire hazard, decently maintained, free of filth and vermin, supplied with adequate plumbing and heating facilities in good working order, and (for residential structures) compliance with hous-



ing codes covering minimum standards of dwelling facility and occupancy. All structures, moreover, must be so related to each other that a decent standard of light and air is possible and they do not constitute a fire hazard. All structures which cannot conform to these minimum requirements should be demolished.

Moreover, the rendering of municipal and quasi-public services to all areas must be of sufficient quality and extent: street cleaning and waste removal, street lighting, air pollution control, policing, health, educational, recreational, and family counseling.

Beyond this we must systematically introduce parks, playgrounds, and other community facilities into all areas and to the extent possible separate through traffic from residential streets.

Going one step beyond the base minimum we should give attention to the appalling ugliness and drabness in many urban neighborhoods, to lift the human spirit and bolster civic pride. Street trees and community flower-planting programs can help some areas in the absence of more fundamental improvement.

As a second objective we want to remove adverse land uses which are nuisances because of smoke, dirt, noise, vibration, or excessive traffic generation from residential areas.

Beyond this minimum, we want to create throughout our city urban renewal districts, in each of which we prepare, with the participation of local people, plans, and programs for progressive improvement to the extent each area can now support that improvement, or has a prospect of doing so. Renewal areas may be so located that they can achieve or remain at a high level of quality by this economic strength, through modernizations, rehabilitation, new construction, and high-level maintenance.

Other renewal areas may be so located that extensive capital investment for rehabilitation or new construction is unwarranted except with public subsidy. These areas may be destined to retain relatively low-income residents or businesses, or to change to lower-income status.

In all these areas, however, the replanning and renewal process should provide the neighborhood safety and amenity which can be achieved through opening of park and playground areas, street rearrangement and provision of community facilities. On all of them, rezoning and any other feasible controls of land use should be employed.

Some parts of cities cannot continue to serve adequately without rebuilding. This is true particularly where a preponderance of structures cannot be maintained at minimum standards, or where street or lot patterns are unsatisfactory, or where a land use change is required. Often complete rebuilding is the only sound answer in relation to new projects of public improvement.



The areas of a city, from those in good condition and needing only protection to those in need of rebuilding, will usually contain mixed conditions, requiring a mixture of treatments. Very seldom will they be clearly separable as areas for "protection," "conservation," "rehabilitation" or "redevelopment."

The requirements of light, air, and safety and now of urban defense will require special attention to the problems of density and the opening up of open space which can serve as a firebreak at suitable intervals in the city. The particular density which is most appropriate in each area must be locally determined by good planning (and not by economic compulsion to justify a high land cost). It may vary according to location, transportation facilities, composition of the population, building type, requirements for open space, and local custom.

These objectives have been stated in general terms, befitting a national program. No mention has been made of many kinds of policy decisions that should be made in local communities: urban dispersal or concentration; homogeneity or heterogeneity of neighborhoods; building types, and many others.

The objectives are *positive*. They are for creation of a suitable environment for urban life, not merely for the elimination of structures or slums.

The objectives must be *dynamic*. They are to undertake and carry on in each renewal area a continuing program of renewal. Too much of our redevelopment thinking and planning has been in terms of a static accomplishment as if a neighborhood could be created and be forever suitable.

The objectives must be *comprehensive*. Cities and neighborhoods must be treated as wholes, with attention to all their aspects. Thus, the best modern physicians treat a whole man—his physical condition, his emotional condition, and his social environment.

In the same way the purposes of urban renewal will not be served by complete reliance on the removal or building of physical structures. A whole program must give attention to neighborhood organization and morale, to economic problems, to social problems and their treatment.

Because the focus of this Subcommittee is on the subject of urban development and renewal, I have given major attention in some detail to this field. But we have said that the objectives of urban renewal and those of housing in general are closely related and interdependent.

An urban renewal program must depend upon a good housing program for a major part of its activity and accomplishment. Urban renewal requires the facing of housing problems of those displaced in the process; often they need special assistance because they cannot participate in the free housing market.



Following, therefore, is a brief statement in less detail on the problems and objectives of a total housing program.

### **The Problem of Housing**

To achieve the objective of a decent home for every American family, the private housing industry and Government must be teamed together as necessary. We must mobilize every resource of our economy: removing roadblocks to production, conserving our present inventory of dwellings, and removing from use those structures which are inadequate. Federal, State and local governments will have their part to play.

We should try to achieve housing production nationally, within each urban area, and within each section of the local housing market, sufficient to eliminate shortages, provide for new families and migrants, and replace dwellings eliminated through closing, demolition, conversion or rehabilitation of existing structures.

We should seek continual improvement in the quality of housing produced in each price class, and be sure that it is located in appropriately placed and well-designed neighborhoods.

Whenever possible without sacrifice of our standards of space or quality, we should try to reduce the capital and annual cost of housing to consumers in order to decrease the proportion of the population in need of special governmental housing assistance.

We should take whatever measures are necessary through local government to prevent the overcrowding of dwellings, to assure their appropriate maintenance and to eliminate the exploitation of low-income tenants by building owners who hasten the creation of slums for excessive profit.

We should plan carefully and take bold measures to conserve that part of the housing supply which is of acceptable quality and properly located, through encouraging and requiring adequate maintenance through replacement of structural elements or equipment which deteriorate or become obsolete, and through measures to strengthen environmental influences on residential areas.

We should eliminate from the standing stock of housing those structures and dwelling units which should not be conserved or improved because of poor design, land overcrowding, improper location in relation to other structures, and because of deterioration or obsolescence.

We should recognize that although the total supply of dwellings may be adequate to serve the total number of families with a comfortable margin of vacancy, there may be maladjustments between supply and need in various categories of dwelling type, size, location, price class, kind of tenure, and availability to various population groups. This means that the theoretical real estate market works very



imperfectly and with varying degrees of success at different times in the fluctuation of the economy. It means we should not be fooled by gross statistics purporting to equate dwelling supply and families.

Often houses are produced only for sale when the greatest need is for rent; or with two bedrooms when the need (but not, perhaps, the effective demand) is for three. In most cities housing availability is severely restricted for racial, religious, or national minorities. In nearly every city, even in times of general prosperity, there is a large number of families and individuals unable to pay enough rent to command housing of acceptable quality, provide maintenance and debt service, pay taxes, and return a modest profit to the owner.

Market maladjustments are expressed in many ways, but they often result in hardship and in failure to meet the housing goal. The most serious situations, requiring governmental action, are usually those related to low family income or minority group discrimination.

We should be prepared to continue Federal assistance to local governmental agencies which undertake to provide and operate housing for those groups of the population who are unable to secure housing of acceptable quality in the general housing market at a price they can afford to pay. The number of such families is decreased in time of prosperity, but may be augmented at any time by migration, unemployment or by public programs requiring the rehabilitation or demolition of housing. We should not avoid the issue by suggesting a form of pseudo-homeownership for families without the economic stability to sustain it.

In any such programs of publicly provided housing, we should try to attain these specific objectives:

1. Integration of the public dwellings into their neighborhoods, to avoid institutionalization and exaggerated segregation of low-income families.

2. Distribution of the low-income dwellings as widely as feasible in the urban area.

3. Avoidance of large-scale "projects."

4. Design and arrangement to permit sale or lease of individual houses, house groups, or multi-family structures separately when liquidation becomes desirable.

5. A form of tenure not requiring tenants who achieve incomes over a stated level to vacate their homes; flexibility of possible tenure arrangements.

6. Payments in lieu of taxes to local governments at least equal in amount to taxes generally paid through rent by similar income groups.







EXHIBIT 2

Exhibit 2 of the Report of the Subcommittee on Urban Redevelopment, Rehabilitation and Conservation, is the report, "Slum Prevention Through Conservation and Rehabilitation," by Jack M. Siegel and C. William Brooks. Because of its length, this report has been separately bound.



## EXHIBIT 3

## CENSUS OF 1950 STATISTICS ON HOUSING AND INCOME OF UNITED STATES NONFARM AND STANDARD METROPOLITAN AREA FAMILIES

## Relationship of These Data to Other Census Statistics

The data presented in the attached tables have been developed from preliminary unpublished tabulations of nonfarm housing characteristics known as the HB series. Because these are what are known as analytical tabulations involving the cross tabulation of two or more items, only those schedules which could be used for all items of information to be cross tabulated were reported. As a result some schedules which were used by the Census Bureau in making its straight counts of characteristics had to be rejected when it made these cross tabulations. For example, a schedule which reported condition of structure but which failed to show value was used in producing the tabulations on the total number of dilapidated units included in the 7,105,000 occupied dwellings shown in the Census HA Bulletin and summarized in the table prepared for the Subcommittee on Housing for Low Income Families on October 23, 1953. On the other hand the lack of value data made it necessary for the Census to exclude it from the HB series tabulation with the result that the attached tables relating to all nonfarm areas in the main deal with only 35,933,000 occupied dwelling units. A comparison of the totals contained in the two types of Census tabulations is shown in exhibit A. While the HB universe is fractionally smaller than the HA universe, for analytical purposes the differences are not significant.

One particular caution should be borne in mind with respect to table V of the attached tables. For fairly obvious reasons the Census has produced a cross-tabulation of value-income ratios and incomes for only single-family detached, attached, and semidetached dwellings without business in the structures located on one-dwelling-unit properties. As will be seen in exhibit A, the total number of dwellings in the category is 15,298,000 out of a total of 19,014,000 owner occupied units for which analytical data on other characteristics are available in the HB series. Similar disparities exist, of course, in the tables relating to standard metropolitan areas.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

EXHIBIT A.—Comparison of statistics on occupied nonfarm dwelling units in 1950 contained in census tabulation on general characteristics (HA series) and on nonfarm housing characteristics

[In thousands]

	In general characteristics tabulation (HA Series)	Attrition from HA to HB	In nonfarm housing characteristics tabulation (HB Series)
Total occupied dwelling units.....	37,105	1,172	35,933
Renter occupied.....	17,304	385	16,919
Owner occupied.....	19,802	788	19,014
Single family units.....	17,081	580	16,501
On one-dwelling unit properties.....	15,878	580	15,298
Detached.....	(1)	(1)	14,440
Attached and semidetached.....	(1)	(1)	858
Other.....	1,203	0	1,203
On multi-dwelling unit properties.....	567	0	567
With business.....	<sup>2</sup> 385	0	<sup>2</sup> 385
Tents and boats.....	<sup>2</sup> 10	0	<sup>2</sup> 10
Trailers.....	241	0	241
Two or more family units.....	2,721	208	2,513

<sup>1</sup> Not available.

<sup>2</sup> Estimate.

CENSUS OF 1953 STATISTICS ON HOUSING AND INCOME OF U. S. NON-FARM AND STANDARD METROPOLITAN AREA FAMILIES

Summary Statement

The greater prevalence of "substandard" (i. e., either dilapidated or deficient in plumbing facilities) housing conditions in renter-occupied units is shown by table I. More than two-thirds of the dilapidated units are occupied by renters and renter-occupied units outnumber owner-occupied with respect to housing which is deficient in plumbing facilities, despite the smaller total number of renter-occupied units reported. The number of substandard owner-occupied units was still very substantial with 912,000 reported as dilapidated and over 3,450,000 deficient in plumbing facilities.

A close association between low rents and dilapidation and plumbing facilities is shown in tables IIA and IIB for United States total nonfarm units. Starting with a high of 90 percent of the units at rents (contract and gross) less than \$10 a month, which are reported as dilapidated or deficient in plumbing facilities, the proportion of substandard units decreases with each successive increase in rent level. About three-fifths of the dilapidated or deficient units for which contract rents are reported were renting for less than \$30 a month as compared with less than two-fifths of the total occupied rent-reported units, both standard and substandard, in the same rental bracket.

For owner-occupied units, dilapidation and deficiencies in plumbing facilities are shown in table III to be concentrated in the units occupied by families for whom 1949 incomes of less than \$2,000 and \$2,000



to \$3,999 were reported. More than two-fifths who own their houses and who were reported to have incomes of less than \$2,000 are living in substandard housing. The proportion in substandard housing decreases to about one-fifth for families with reported incomes of \$2,000 to \$3,999 and to a little more than one-tenth for owner-occupied families in the 1949 reported income bracket of \$4,000 to \$5,999.

Occupancy of dilapidated or deficient units by lower income families is shown to be more accentuated in renter-occupied units if table IV is compared with table III. According to table IV more than half of all renter-occupied substandard units are occupied by families with reported incomes under \$2,000.

With respect to the value of the owner-occupied home as a ratio to income, it is clear from table V that the lower the reported 1949 income, the higher the proportion of owner-occupied units which had values equal to 3.0 or more times the 1949 income of the occupant family. Conversely, the lower the reported 1949 income level of owner-occupant families, the greater the proportion of them who had reported incomes equal to one-third or less of the estimated value of their homes. For the group with incomes under \$2,000, 1.7 million units out of 2.7 million units for which value-income information was available were occupied by families with reported incomes which were one-third the estimated value of their homes or less.

A rule-of-thumb which has frequently been used as an indicator of ability to pay rent is 25 percent of income for gross rent. Whatever the worth of the rule-of-thumb, table XI shows that over 2,000,000 families with reported incomes under \$2,000 and about 500,000 families with incomes of \$2,000 to \$3,999 were spending 30 percent or more of their reported incomes for rental housing. In general, the lower the income bracket, the higher the proportion of families with gross rentals of 30 percent or more of their income.

A separate summation of the tabulations of the tables for "Total Units Inside Standard Metropolitan Areas" does not seem necessary since the findings would be little different from those noted above in the discussion of the tables for "United States Total Nonfarm Units."

#### *Definitions*

1. Nonfarm: Comprises the total of all urban and rural nonfarm dwellings.

2. Urban: All dwelling units located in: (a) Places of 2,500 inhabitants or more incorporated as cities, boroughs and villages; (b) incorporated towns of 2,500 inhabitants except in New England, New York, and Wisconsin; (c) the densely settled urban fringe, including both incorporated and unincorporated areas, around cities of 50,000



or more, and (d) unincorporated places of 2,500 or more outside any urban fringe.

3. Rural Nonfarm: Represents all dwelling units outside urban areas which are not located on farms.

4. Standard Metropolitan Area: (a) Outside New England, a county or group of contiguous counties which contains at least one city of 50,000 inhabitants or more; (b) in New England, places with a population density of 150 persons or more per square mile, or 100 persons or more per square mile, where strong integration is evident.

5. Dwelling Unit: A dwelling unit is a group of rooms or a single room occupied or intended for occupancy as separate living quarters by a family or other group of persons living together or by a person living alone.

6. Occupied Dwelling Unit: A dwelling unit is occupied if a person or group of persons was living in it at the time of enumeration or if the occupants are only temporarily absent. However, a dwelling unit occupied at the time of enumeration by nonresidents is not classified as occupied, but as a "nonresident" dwelling unit.

7. Owner-Occupied Unit: A dwelling unit is owner-occupied, if the owner was one of the persons living in the unit or if the owner was temporarily away from home, even if the dwelling unit was not fully paid for or had a mortgage on it.

8. Owner-Occupied Units in One-Dwelling Unit Structures: This category, which is the only one for which cross-tabulation of value-income ratios and income are available, excludes family owner-occupied which are: (a) In boats or tents; (b) in trailers; (c) in structures containing business; (d) on lots containing other dwelling structures.

9. Renter-Occupied Unit: All occupied dwelling units that are not owner-occupied were classified as renter-occupied whether or not any money rent was paid for the living quarters.

10. Dilapidated: A dwelling unit was reported as dilapidated when it had serious deficiencies, was run down or neglected, or was of inadequate original construction, so that it did not provide adequate shelter or protection against the elements or endangered the safety of the occupants.

11. Deficient in Plumbing Facilities: Units are so described when they have no private bath or toilets or running hot water, or have no running water or facilities inside the structure.

12. Contract Monthly Rent: This is the regular monthly rent contracted for by the tenant. The landlord may or may not provide furniture, heating, fuel, water or other services over and above the provision of shelter for the rental payment.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

13. Gross Monthly Rent: This represents contract monthly rent plus utilities and fuel but excludes furniture.

14. Income: This is defined as money received from wages or salaries, net income (or loss) from self-employment and income other than earnings before deductions for personal income taxes, social security, bond purchases, union dues, etc. Excluded are income in kind such as food produced and consumed in home or free quarters, gifts, lump sum inheritances, insurance payments, tax refunds and money received from sale of property unless recipient is in the business of selling property.

15. Value of Owner-Occupied Unit: Dwelling-unit structure.—This represents the owner-occupant's estimate of the sales price of his property under ordinary conditions and not at forced sale.

I.—UNITED STATES TOTAL NONFARM UNITS

*Occupied units by tenure, condition and plumbing facilities*

[In thousands]

Tenure	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Owner-occupied.....	19,014	18,593	14,225	4,368	3,456	912	421
Renter-occupied.....	16,919	16,390	10,496	5,894	4,040	1,854	529
Total.....	35,933	34,983	24,721	10,262	7,496	2,766	950

II A.—UNITED STATES TOTAL NONFARM UNITS

*Renter-occupied units by condition and plumbing facilities and contract monthly rent*

[In thousands]

Contract monthly rent	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Less than \$10.....	623	602	36	566	266	300	21
\$10-\$19.....	2,132	2,065	398	1,667	1,109	558	67
\$20-\$29.....	2,974	2,900	1,554	1,346	994	352	74
\$30-\$39.....	3,096	3,032	2,304	728	551	177	64
\$40-\$49.....	2,535	2,483	2,084	309	313	86	52
\$50-\$59.....	1,570	1,540	1,372	168	134	34	30
\$60-\$74.....	1,187	1,164	1,063	101	79	22	23
\$75-\$99.....	693	680	651	29	21	8	13
\$100 or more.....	354	345	331	14	9	5	9
Rent-free or not reported.....	1,754	1,578	703	875	563	312	176
Total.....	16,918	16,389	10,496	5,893	4,039	1,854	529

NOTE.—Inasmuch as the total figures in column 1 include 529 thousand units for which condition and facilities were not reported, the difference between column 1 and column 2 does not represent the number of units which were not deficient.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

II B.—UNITED STATES TOTAL NONFARM UNITS

Renter-occupied units by condition and plumbing facilities and gross monthly rent

[In thousands]

Gross monthly rent	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Less than \$10.....	220	213	11	202	79	123	7
\$10 to \$19.....	1,120	1,083	116	967	568	399	37
\$20 to \$29.....	2,144	2,082	630	1,452	1,042	410	62
\$30 to \$39.....	3,040	2,973	1,763	1,210	920	290	67
\$40 to \$49.....	3,097	3,037	2,383	654	490	164	60
\$50 to \$59.....	2,219	2,179	1,925	254	187	67	40
\$60 to \$74.....	1,686	1,658	1,540	118	85	33	28
\$75 to \$99.....	904	889	855	34	23	11	15
\$100 or more.....	419	411	393	18	11	7	8
Rent-free or not reported.....	2,070	1,866	881	985	635	350	204
Total.....	16,919	16,391	10,497	5,894	4,040	1,854	528

NOTE.—Inasmuch as the total figure in column 1 includes 529 thousand units for which condition and facilities were not reported the difference between column 1 and column 2 does not represent the number of units which were not deficient.

III.—UNITED STATES TOTAL NONFARM UNITS

Owner-occupied units by condition and plumbing facilities, by income in 1949

[In thousands]

Income in 1949	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Total units	Not dilapidated but deficient in plumbing	Dilapidated	Condition or facilities not reported
\$2,000 to \$3,999.....	6,433	6,305	4,769	1,536	1,286	250	128
\$4,000 to \$5,999.....	3,953	3,889	3,490	399	339	60	64
\$6,000 to \$9,999.....	2,006	1,976	1,871	105	84	21	30
\$10,000 and more.....	820	806	790	16	11	5	14
Not reported.....	1,019	963	768	195	153	41	56
Total.....	19,015	18,595	14,222	4,373	3,459	913	420



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

IV.—UNITED STATES TOTAL NON-FARM UNITS

*Renter-occupied units by condition and plumbing facilities by income in 1949*

[In thousands]

Income in 1949	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Total units	Not dilapidated but deficient in plumbing	Dilapidated	Condition or facilities not reported
Under \$1,999.....	5,267	5,079	2,130	2,949	1,840	1,109	188
\$2,000 to \$3,999.....	6,594	6,420	4,311	2,109	1,582	527	174
\$4,000 to \$5,999.....	2,826	2,762	2,308	454	354	100	64
\$6,000 to \$9,999.....	1,080	1,055	956	99	74	25	25
\$10,000 and more.....	279	269	255	14	10	4	10
Not reported.....	873	804	536	268	179	89	69
Total.....	16,919	16,389	10,496	5,893	4,039	1,854	530

NOTE.—Inasmuch as the total figure in column 1 includes 421 thousand units for which condition and facilities were not reported, the difference between column 1 and column 2 does not represent the number of units which were not deficient.

V.—UNITED STATES TOTAL NONFARM UNITS

*Owner-occupied units by income in 1949 and value-income ratio for owner-occupied units in 1-dwelling unit structures*

[In thousands]

Value-income ratio	Total	Less than \$2,000	\$2,000 to \$3,999	\$4,000 to \$5,999	\$6,000 to \$9,999	\$10,000 or more	Condition not reported
Less than 1.0.....	1,708	274	648	441	345	-----	-----
1.0 to 1.9.....	4,212	381	1,539	1,417	875	-----	-----
2.0 to 2.9.....	3,066	359	1,489	915	302	-----	-----
3.0 or more.....	3,394	1,706	1,254	352	83	-----	-----
Not available.....	2,918	1,003	243	101	51	700	820
Total dwelling units in 1-dwelling unit structures.....	15,298	3,723	5,173	3,226	1,656	700	820

NOTE.—See definition No. 8 for explanation of the class of dwelling units included in this category.

VI.—UNITED STATES TOTAL NONFARM UNITS

*Renter-occupied units by income in 1949 and gross rent as a percentage of income*

[In thousands]

Gross rent as percent of income	Total	Less than \$2,000	\$2,000 to \$3,999	\$4,000 to \$5,999	\$6,000 to \$9,999	\$10,000 or more	Income not reported
Less than 10 percent.....	1,892	128	609	657	499	-----	-----
10 percent to 19 percent.....	5,836	543	3,161	1,675	456	-----	-----
20 percent to 29 percent.....	2,788	787	1,707	255	39	-----	-----
30 percent or more.....	2,659	2,126	493	34	6	-----	-----
Not available.....	3,744	1,684	623	206	80	278	873
Total dwelling units in 1-dwelling unit structures.....	16,919	5,268	6,593	2,827	1,080	278	873



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

I.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

Occupied units by tenure, condition, and plumbing facilities

[In thousands]

Tenure	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Owner-occupied.....	11,683	11,452	9,860	1,592	1,250	342	231
Renter-occupied.....	11,585	11,240	8,104	3,136	2,168	968	345
<b>Total.....</b>	<b>23,268</b>	<b>22,692</b>	<b>17,964</b>	<b>4,728</b>	<b>3,418</b>	<b>1,310</b>	<b>576</b>

II A.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

Renter-occupied units by condition and plumbing facilities and contract monthly rent

[In thousands]

Contract monthly rent	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Less than \$10.....	180	174	13	161	70	91	6
\$10 to \$19.....	1,119	1,086	232	854	556	298	33
\$20 to \$29.....	2,013	1,965	1,126	839	593	246	48
\$30 to \$39.....	2,316	2,268	1,778	490	358	132	48
\$40 to \$49.....	2,006	1,965	1,662	303	235	68	41
\$50 to \$59.....	1,255	1,230	1,098	132	105	27	25
\$60 to \$74.....	987	968	882	86	68	18	19
\$75 to \$99.....	616	604	580	24	18	6	12
\$100 or more.....	325	317	308	9	6	3	8
Rent-free or not reported.....	768	663	426	237	159	78	105
<b>Total.....</b>	<b>11,585</b>	<b>11,240</b>	<b>8,105</b>	<b>3,135</b>	<b>2,168</b>	<b>967</b>	<b>345</b>



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

II B.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

*Renter-occupied units by condition and plumbing facilities and gross monthly rent*

[In thousands]

Gross monthly rent	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Dilapidated or deficient in plumbing facilities			Condition not reported
				Total units	Not dilapidated but deficient in plumbing	Dilapidated	
Less than \$10.....	60	58	6	52	22	30	2
\$10 to \$19.....	497	481	65	416	245	171	16
\$20 to \$29.....	1,294	1,259	426	833	586	247	35
\$30 to \$39.....	2,153	2,106	1,321	785	575	210	47
\$40 to \$49.....	2,377	2,331	1,878	453	329	124	46
\$50 to \$59.....	1,744	1,712	1,531	181	130	51	32
\$60 to \$74.....	1,347	1,323	1,235	88	62	26	24
\$75 to \$99.....	765	752	726	26	17	9	13
\$100 or more.....	379	371	359	12	7	5	8
Rent-free or not reported.....	969	848	557	291	196	95	121
Total.....	11,585	11,241	8,104	3,137	2,169	968	344

III.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

*Owner-occupied units by condition and plumbing facilities, by income in 1949*

[In thousands]

Income in 1949	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Total units	Not dilapidated but deficient in plumbing	Dilapidated	Condition or facilities not reported
Under \$1,999.....	2,132	2,078	1,480	598	442	156	54
\$2,000 to \$3,999.....	3,892	3,823	3,176	647	530	117	69
\$4,000 to \$5,999.....	2,832	2,790	2,578	212	175	37	42
\$6,000 to \$9,999.....	1,562	1,541	1,480	61	48	13	21
\$10,000 and more.....	637	626	617	9	6	3	11
Not reported.....	628	595	526	69	52	17	33
Total.....	11,683	11,453	9,857	1,596	1,253	343	230

IV. TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

*Renter-occupied units by condition and plumbing facilities, by income in 1949*

[In thousands]

Income in 1949	Total units	Number reporting condition	Not dilapidated or deficient in plumbing	Total units	Not dilapidated but deficient in plumbing	Dilapidated	Condition not reported
Under \$2,000.....	3,066	2,963	1,596	1,367	871	496	103
\$2,000 to \$3,999.....	4,611	4,495	3,252	1,243	911	332	116
\$4,000 to \$5,999.....	2,174	2,126	1,820	306	234	72	48
\$6,000 to \$9,999.....	889	868	798	70	51	19	21
\$10,000 or more.....	236	228	220	8	5	3	8
Not reported.....	609	560	417	143	97	46	49
Total.....	11,585	11,240	8,103	3,137	2,169	968	345



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

V.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

Owner-occupied units by income in 1949 and value-income ratio

[In thousands]

Value-income ratio	Total	Less than \$2,000	\$2,000 to \$3,999	\$4,000 to \$5,999	\$6,000 to \$9,999	\$10,000 or more	Income not reported
Less than 1.0.....	686	46	215	207	218		
1.0 to 1.9.....	2,542	93	773	976	700		
2.0 to 2.9.....	2,105	111	992	745	257		
3.0 or more.....	2,123	828	932	292	71		
Not available.....	1,642	428	94	54	32	542	492
Total dwelling units in 1-dwelling unit structures.....	9,098	1,506	3,006	2,274	1,278	542	492

NOTE.—See definition No. 8 for explanation of the class of dwelling units included in this category.

VI.—TOTAL UNITS INSIDE STANDARD METROPOLITAN AREAS

Renter-occupied units by income in 1949 and gross rent as percentage of income

[In thousands]

Gross rent as percent of income	Total	Less than \$2,000	\$2,000 to \$3,999	\$4,000 to \$5,999	\$6,000 to \$9,999	\$10,000 or more	Income not reported
Less than 10.....	1,235	40	330	464	401		
10 to 19.....	4,249	255	2,261	1,340	393		
20 to 29.....	2,011	469	1,294	213	35		
30 or more.....	1,800	1,425	399	31	5		
Not available.....	2,231	877	326	127	55	237	609
Total dwelling units in 1-dwelling unit structures.....	11,586	3,066	4,610	2,175	889	237	609



## EXHIBIT 4

NOTES ON THE COST OF SLUMS TO LOCAL GOVERNMENTS<sup>1</sup>

Figures taken from studies in 14 cities representative of all sections of the country and of communities of varying population categories.

Studies themselves carry detailed analysis and documentation of the key figures, summaries, and conclusions quoted below.

Point to bear in mind in studying the figures: What is being received for money spent?

## New England

Boston—1934 study of the City Planning Board: "Report on Income and Cost of Six Districts in the City of Boston." In table headed "Comparison of Income and Cost for the City and Six Districts," these figures appear for four residential areas and the city as a whole.

	Per capita income	Cost	Net cost
City.....	\$74.40	\$77.80	\$3.40
High rental district.....	312.80	73.80	-----
Suburban.....	41.80	62.30	20.50
Miscellaneous district.....	114.40	65.10	-----
Low rental district.....	13.30	92.30	79.00

Hartford—1935 Study of Mayor's Housing Committee: "An Economic Analysis of a Substandard Area in Hartford." Area C [slum area], for example, with 4.09 percent of the city population and approximately 1 percent of the city area, requires 5.54 percent of the city expenditures to maintain it. In turn, area C produces only 1.24 percent of the required city income. In other words, area C costs the city \$465,696.70 and produces \$104,243.75, being therefore only 22.4 percent self-supporting. This means that the balance of \$361,452.97 must be supplied or virtually subsidized by the rest of the city, imposing a per capita burden of \$2.28 on all those living outside the area \* \* \* to carry the burden of maintaining this unhealthy section of the city.

## Middle Atlantic

Philadelphia—1947 study, Bureau of Municipal Research: "Financial Picture of an Improvable Area." Facts in the study relate to an area slated for redevelopment. The study consists of detailed cata-

<sup>1</sup> Compiled from reference files of National Association of Housing Officials, November 1953, for Presidential Advisory Committee on Government Housing Policies and Programs.



logging of city and school district expenditures in the area and of all revenues therefrom. The figures totaled: Revenues, \$160,980.09; expenditures, \$271,394.

Newark—1946 study, Housing Authority of the City of Newark: "The Cost of Slums in Newark." Table 5 in the study gives comparative figures for Lower Prospect area (slum) and Upper Prospect area (superior residential neighborhood).

	Lower Prospect		Upper Prospect	
	Total	Per capita	Total	Per capita
Revenue.....	\$167,462	\$40.41	\$141,185	\$201.69
Expenditure.....	533,886	128.82	65,141	93.05

Baltimore—1948 study, Citizens Planning and Housing Association of Baltimore (exact title and date of study not in NAHO files—quotations come from secondary source: November 15, 1948, newsletter of the United States Conference of Mayors). The blighted district, 9½ percent of our city's area, receives 40 percent of the city's budget. \* \* \* Property assessments in areas where blight exists decreased almost \$10 million from 1938 to 1945. \* \* \* A comparison of annual income and outgo of 5 sample slum areas covering 495 acres: Total annual service costs by city, \$2,212,485; total annual income to city, \$957,761; annual loss, \$1,254,724. Estimated loss, \$2,500 per acre per year. Estimated loss to city from all blighted areas, \$14,300,000 per year.

**Southeast**

Jacksonville, Fla.—1941 article in *The American City* magazine by James T. Daniels, former manager of the Jacksonville Chamber of Commerce. Slum areas do not pay their own way. In one slum area, called Hansontown, the net cost of municipal services exceed the net income from taxation by \$40,000 per year. This is a net loss to the taxpayers as a whole. The article notes that in all Jacksonville slum areas, the annual per square mile cost of police and fire protection alone averaged \$113,500 against tax collections of \$58,300 for the same area. Comparable figures for an average residential area are quoted at \$16,200 for police and fire protection and a tax return of \$131,200.

**North Central**

Columbus, Ohio—1948 study by John C. Alston, issued from the office of Social Administration, State College, Wilberforce, Ohio: "Cost of a Slum Area." Table IX of the study summarizes receipts and net costs for the city as a whole and for the Goodale area—a slum area—for 1940.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

	City	Goodale area
Total income.....	\$5,118,518.00	\$29,866.00
Per capita income.....	16.72	10.30
Total net cost.....	4,499,894.00	72,286.00
Per capital net cost.....	14.70	24.93

Detroit—1945 series of articles, The Detroit News, reprinted in 1946 as booklet "What Detroit's Slums Cost Its Taxpayers." More than 20 percent of the city's residential and small business area has declined to the status of slums; 5 percent more already is blighted, with the blight steadily increasing in intensification \* \* \* now, approximately two-thirds of the real property of Detroit is not only paying its full share of city taxes but has to pay an additional amount to make up for the shrinkage in property values in the slums and blighted areas \* \* \* It is estimated that, one way or another, Detroit's slum and blighted areas are costing approximately \$30,000,000 a year. In one generation—30 years—that amounts to \$900,000,000. Thus, generation after generation, Detroit goes on actually paying in money an amount abundantly sufficient to wipe out and completely rehabilitate all slums and blighted areas but, nevertheless, gets nothing for it and still has the slums and blighted areas.

St. Louis—1940 study, City Plan Commission. Exact date and title of study not in NAHO files. Following material is quoted from secondary source: July 1940 issue of "Missouri Municipal Review." Results of study of slum district and higher value residence districts:

	Total	Per capita
Cost of government:		
Midtown residence district.....	\$293,198	\$31.64
Slum district.....	384,201	53.10
Income in taxes:		
Midtown district.....	399,385	43.09
Slum district.....	152,980	21.14

Cleveland—1934 study by the Rev. R. B. Navin, with counsel of Howard Whipple Green: "An Analysis of a Slum Area in Cleveland." Table VIII of the study records total tax rate income from slum area as \$225,035; total expenses as \$1,972,437. The study says: "In other words the city of Cleveland subsidized each man, woman, and child in this area to an amount of \$51.10 in 1932 \* \* \* In addition to the county, city, and board of education subsidy of \$51.10 per capita the community fund and other unofficial organizations add at least \$27.68 per capita, making the cost of maintaining the area \$88.90 per capita and the total loss the rather stupendous amount \$78.78 per capital or \$315 per family of four persons."



Southwest

Denver—1950 series of articles in the Denver Post. Denver's blighted area comprises less than 10 percent of the land in the city, about 6 percent of the population, and 6 percent of living units \* \* \* It receives 40 percent of all general relief funds—nearly seven times its "share" on a population basis. It receives 34 percent of all aid to dependent children money—nearly six times its "share" on a population basis. It accounts for 32 percent of all police calls—more than three times its "share" on a population basis. It produces 30 percent of Denver General Hospital's case load—five times its "share" on a population basis. It provides a third of the work load for the city sanitation department—five times its "share" on a living unit basis \* \* \* Assessment records show clearly that blighted property pays less taxes than standard areas \* \* \* Take a typical block in the sub-standard area. It contains 25 living units and 2 commercial developments. The entire block pays the city \$1,300 a year in taxes \* \* \* It isn't hard to see where the money comes from—and where it goes.

Oklahoma City—1939 study, Committee on Housing and City Planning, Oklahoma State Society of Architects. Results of a study of four blighted areas of approximately 200 city blocks produced following figures: Amount of city and school district funds expended in the areas, \$275,100.01; tax assessment against these areas, \$34,517.17; amount expended in excess of taxes—or net loss, \$240,582.84.

Pacific Coast

Los Angeles—1947 study, Department of City Planning: "Conditions of Blight, Central Area, City of Los Angeles, 1947." Blighted areas compared with nonblighted areas: what they pay in taxes, \$4.25 per capita, blighted area; \$11.30 per capita, nonblighted area. What they cost you for fire—police, health, park services—blighted areas, \$7.11 per capita; nonblighted area, \$3.67 per capita.

San Francisco—1947 study, San Francisco Planning and Housing Association: "Blight and Taxes." Summary table on cost and income for slum area and good residential area provides following figures (years 1945-46 and 1946-47):

	Slum	Good area.
Revenue.....	\$368,020	\$555,583
Expenditures.....	741,315	86,659



EXHIBIT 5

OFFICE MEMORANDUM—UNITED STATES GOVERNMENT

Date: November 17, 1953.

To: James W. Rouse, The President's Advisory Committee on Housing.

From: James W. Follin, Director, Division of Slum Clearance and Urban Redevelopment, HHFA, OA.

Subject: Material Requested on Dwelling Occupancy Standards.

Attention: Carl Feiss.

In response to Mr. Feiss' recent verbal request, there is transmitted to you herewith a statement titled "Analysis of Space Occupancy Standards for Dwellings as Provided in Regulations of Certain Localities and States," prepared by Walter B. Lewis, under the supervision of Harold A. Merrill of our Planning and Engineering Branch.

Attachment.

F. W. FOLLIN.

ANALYSIS OF SPACE OCCUPANCY STANDARDS FOR DWELLINGS AS PROVIDED IN REGULATIONS OF CERTAIN LOCALITIES AND STATES

This study covers (1) all housing or occupancy regulations *submitted to date* by local public agencies participating in the Federal slum clearance and urban redevelopment programs and, (2) all such regulations available in the HHFA-OA Library. This study does not cover the total number of such regulations adopted or proposed in the United States, nor even the total number of such regulations adopted or proposed in all localities participating in the slum clearance program. These regulations studied here, however, do represent a sample of the types of regulations relating to overcrowding adopted or under consideration by other localities or States. "Space occupancy standards" as used herein means those provisions designed to prevent overcrowding of sleeping rooms or dwelling units.

Accompanying and a part of this analysis are: Extracts of space occupancy standards recommended by the American Public Health Association and those found in 27 local codes or ordinances now in effect; 8 city ordinances drafted, but not adopted; and 9 State laws or State regulations now in effect.



Generally these standards and similar ones set forth in the APHA Proposed Housing Code are not commensurable for the following reasons: First, local standards are in terms of floor space and air space, while APHA standards are in terms of floor space only. Second, local standards specify so much space *per occupant*, while APHA standards specify so much for the *first occupant*, plus so much for *each additional occupant*. This difference is accounted for by virtue of the fact that most local standards are based on studies of the early twenties relating to tenement house laws, which were set forth in these terms. The APHA standards represent a new approach to this problem and have only been available for use during the last two years. Their increasing acceptance is represented by the fact that of the eight proposed codes or regulations covered by this study, five employ some portion of the APHA standards.

A floor space comparison is possible, however, by using the minimum requirements of both the local standards and APHA requirements for two occupants, using floor space only. The most common local floor space requirement is 50 square feet per occupant. Taking two occupants, 100 square feet are to be compared with the 120 square feet requirement of APHA.

An air space comparison is possible after an arithmetic computation, by using the minimum requirements for two occupants again. In order to convert the square foot quantity of the APHA standards to a similar cubic foot quantity as found in the majority of the local standards, the required floor space must be multiplied by the minimum height requirement of the APHA standards (7 feet). Translated, this would mean that the APHA Proposed Housing Code requiring 490 cubic feet for the first occupant and 840 cubic feet for two occupants may now be compared with 400 cubic feet for the first occupant and 800 cubic feet for two occupants as commonly prescribed by the local regulations.

Of some importance is the fact that little consideration has been given in these regulations to special requirements for apartments and tenements. This does not necessarily mean, however, that local standards do not apply also to these occupancies, since the term "dwelling or dwelling unit" is so defined as to include apartments and tenements in most of the regulations.

Of greater significance is the fact that very little attention has been given in these regulations to minimum requirements per dwelling or dwelling unit. As pointed out by the APHA and reflected in APHA standards the real test of overcrowding is the amount of space in the whole dwelling unit available for all purposes and not just for sleeping purposes alone.



## EXTRACT OF OCCUPANCY SPACE REQUIREMENTS

*Occupancy provisions of the APHA "A Proposed Housing Ordinance" 1952*

No person shall occupy or let to another for occupancy any dwelling or dwelling unit, for the purpose of living therein, which does not comply with the following requirements:

Every dwelling unit shall contain at least 150 square feet of *floor space* for the first occupant thereof and at least 100 additional square feet of floor space for every additional occupant thereof, the floor space to be calculated on the basis of total habitable room area.

In every dwelling unit of two or more rooms, every *room* occupied for *sleeping* purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space for each occupant thereof.

At least one-half of the floor area of every habitable room shall have a ceiling height of at least 7 feet; and the floor area of that part of any room where the ceiling height is less than 5 feet shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining the maximum permissible occupancy thereof. (Sec. 8.)

## CITY ORDINANCES AND REGULATIONS IN EFFECT

*Alabama*

*Birmingham.*—No room in any apartment, tenement or rooming house shall be overcrowded. A room shall be deemed to be overcrowded, within the meaning of this section, when each person living or sleeping in such room shall not have an air space allowance of at least four hundred and fifty cubic feet. (Sec. 633, General City Code.)

*Montgomery.*—No room in any dwelling, apartment, tenement or rooming house within the city or its police jurisdiction shall be overcrowded. A room shall be deemed to be overcrowded, within the meaning of this section, when each person living or sleeping in such room shall not have an air space allowance of at least four hundred and fifty cubic feet. (Sec. 16, ch. 13, Montgomery City Code.)

*Colorado*

*Denver.*—The term ROOM means any enclosed division of a dwelling unit containing over seventy square feet of floor space and commonly used for living purposes, not including lobbies, halls, closets,



storage space, bathrooms, utility rooms and unfinished attics, cellars or basements. (Sec. 2 (d), Ordinance No. 27, 1944.)

No dwelling unit shall be occupied by more than one family. (Sec. 4, Ordinance No. 27, 1944.)

Not more than two persons per room shall occupy any dwelling unit, except, for the purpose of this section, a child under six years of age shall not be counted as a person. (Sec. 5, Ordinance No. 27, 1944.)

#### *Delaware*

*Wilmington.*—No room shall be used for sleeping purposes unless there are at least four hundred (400) cubic feet of air space and 50 square feet of floor space for each adult and at least two hundred (200) cubic feet of air space and 30 square feet of floor space for each child under the age of twelve years occupying such room. No room used for sleeping purposes shall have a floor area of less than 60 square feet. (Sec. 7, Rules and Regulations Governing the Hygiene of Housing, 1950.)

#### *District of Columbia*

*Washington.*—Space. At least 80 square feet of floor space and 600 cubic feet of air space in habitable area, and 40 cubic feet of storage space, shall be provided for the use of each occupant in each tenement.

Where the 40 cubic feet of storage space is not available for each such occupant, 90 square feet of floor space and 675 cubic feet of air space in habitable area shall be provided for each occupant. The Director of Public Health is hereby authorized, if in his judgment it is necessary to secure compliance with this requirement, to cause to be affixed to or near the door of each tenement a placard stating the number of occupants allowed in each tenement under this regulation and shall, in any case where such placard has been affixed, notify the operator of the premises accordingly. It shall be unlawful for any tenant to overcrowd any tenement or for any operator to permit such overcrowding. Only habitable space under the exclusive control of the particular tenant shall be used in making calculations under this section:

*Provided*, That any child born to an occupant of any tenement shall not, during the first six months of its life, constitute, by reason of overcrowding, a violation of these regulations; and *Provided further*, That for one year from the effective date of these regulations and for tenancies in existence at the time of such effective date the Director of Public Health may permit a variation of 10% in square feet of floor space and cubic feet of air space when serious health hazards are not created thereby. Notwithstanding any of the above provi-



sions, no tenement house shall have an average of more than  $1\frac{1}{2}$  occupants for each habitable room other than rooms used exclusively as kitchens and rooms used in common by the occupants of more than one tenement: *Provided, However*, in buildings used as tenement houses and for which license applications are filed as of the effective date of these regulations, the Director of Public Health may permit until November 1, 1953, an average of not more than 2 occupants for each habitable room other than rooms used exclusively as kitchens and rooms used in common by the occupants of more than one tenement, when serious health hazards are not created thereby. (Sec. 2602, Tenements and Tenement Houses, 1952.)

### *Indiana*

*Indianapolis.*—No person shall occupy or let to another for occupancy any dwelling or dwelling unit, for the purpose of living therein, which does not comply with the following requirements:

Every dwelling unit shall contain at least one hundred (100) square feet of floor space for the first occupant thereof and at least fifty (50) additional square feet of floor space for every additional occupant thereof, the floor space to be calculated on the basis of total habitable room area.

In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least sixty (60) square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least forty (40) square feet of floor space for each occupant thereof over twelve (12) years of age and at least thirty (30) square feet for each occupant thereof under twelve (12) years of age. (Sec. 6-1007, General Ordinance No. 36, 1953.)

### *Maine*

*Portland.*—If any habitable room or dwelling unit is overcrowded, the number of persons sleeping therein shall be reduced to eliminate the overcrowding. Overcrowding is determined by the following conditions:

(a) No habitable room other than a kitchen or dining alcove, shall contain less than 65 square feet of floor area, nor shall the least horizontal dimension of such room be less than 7 feet.

(b) The total area in all habitable rooms in a dwelling unit shall be such as to provide at least 65 square feet of floor area per person.

(c) Every sleeping room or room used for sleeping purposes shall have at least 50 square feet of floor area per person. Children under 1 year of age shall not be counted, and a child more than 1 year of age but under 10 years shall be deemed one-half person.



In computing floor area for the purpose of this section, the space used for closets or other enclosed spaces and, in the case of rooms with sloping ceilings, portions of such rooms with less than 4 feet in height shall be excluded in computing the area. (Sec. 10, Ordinance Relating to Minimum Standards for Continued Occupancy, 1951.)

#### *Maryland*

*Baltimore.*—No room shall be used for sleeping purposes unless there are at least four hundred (400) cubic feet of air space and 50 square feet of floor space for each adult and at least two hundred (200) cubic feet of air space and 30 square feet of floor space for each child under the age of twelve years occupying such room. No room used for sleeping purposes shall have a floor area of less than 60 square feet. (Regulation 7, Rules and Regulations Governing the Hygiene of Housing, City Housing Code.)

The occupancy of any dwelling unit having more than one habitable room shall not exceed an average of one and one-half persons per habitable room. For the purpose of this regulation any child under one year of age shall not be counted and any child more than one year old but under twelve years of age shall be deemed to be one-half person. (Regulation 8, Rules and Regulations Governing the Hygiene of Housing, City Housing Code.)

#### *Michigan*

*Detroit.*—No bedroom or room used as a bedroom in any Class "B" multiple dwelling shall be so occupied as to provide less than five hundred (500) cubic feet of air space per occupant, exclusive of the cubic air space of bathrooms, toilet rooms and closets. No room, suite or group of rooms, comprising a family dwelling unit, in any single, two-family or Class "A" multiple dwelling shall be so occupied as to provide less than eight hundred (800) cubic feet of air space per occupant exclusive of the cubic air space of bathrooms, toilet rooms and closets. No bedroom or room used as a bedroom in any single, two-family or Class "A" multiple dwelling shall be so occupied as to provide less than three hundred (300) cubic feet of air space per occupant, exclusive of the cubic air space of bathrooms, toilet rooms and closets. (Sec. 2981, Official Building Code of the City of Detroit, 1936.)

#### *Minnesota*

*Minneapolis.*—If any room in a dwelling is overcrowded, the commissioner of health may order the number of persons sleeping or living in the room to be so reduced that there shall be not less than 600 cubic



feet of air to each adult and 400 cubic feet of air to each child under 12 years of age occupying such room. (Sec. 413 (460.61), City of Minneapolis Housing Code, 1950.)

### *Missouri*

*Kansas City.*—The total area in all habitable rooms in a dwelling unit shall be such as to provide at least 65 square feet of floor area per person. (Sec. 63-5 (h), Second Committee Substitute for Ordinance No. 13836, 1951.)

*St. Louis.*—If any habitable room or dwelling unit is overcrowded, the number of persons sleeping therein shall be reduced to eliminate the overcrowding. Overcrowding is determined by the following conditions:

(a) Every room used for sleeping purposes shall have at least forty square feet of floor area per person.

(b) The total area in all habitable rooms in a dwelling unit shall be such as to provide at least sixty-five square feet of floor area per person.

(c) Every habitable room shall be not less than seven feet, six inches in height from the floor to the ceiling, throughout not less than one-half of the area of such room.

(d) No habitable room shall contain less than sixty-four square feet of floor area, nor shall the least horizontal dimension of such room be less than seven feet. In computing floor area only that area having a ceiling height of seven feet, six inches or more shall enter into the computation. (Sec. 12, Housing Code, 1948.)

### *New Jersey*

*Newark.*—Not to permit any room in any dwelling to be used for sleeping purposes where the cubic capacity for each adult is less than four hundred cubic feet and for each child under twelve years of age is less than two hundred fifty cubic feet. (Sec. 15.525 (m), Health and Sanitation, 1951.)

*Trenton.*—No person shall occupy or let to another for occupancy any dwelling or dwelling unit, for the purpose of living therein, which does not comply with the following requirements: Every dwelling shall contain at least 150 square feet of floor space for the first occupant thereof and at least 100 additional square feet of floor space for every additional occupant thereof, the floor space to be calculated on the basis of total habitable room area. In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall



contain at least 50 square feet of floor space for each occupant thereof. (Sec. 7, Ordinance Relating to Minimum Standards Governing the Condition and Maintenance of Dwellings, 1952.)

### *New York*

Rochester.—No owner, lessee, or keeper of any lodging-house, boarding-house, factory, work-room store, office, or place of business, shall cause or allow the same to be overcrowded, or cause or allow so great a number of persons to dwell, be, or sleep in any such house, or any portion thereof, as thereby to cause any danger or detriment to life and health. Whenever it shall be certified by the bureau that any such place or room is so overcrowded that there shall be less than five hundred cubic feet of air to each occupant of such building or room, with a floor space one-tenth as great, the health officer may issue an order requiring the number of occupants of such building or room to be reduced, so that the inmates thereof shall not exceed one person to each five hundred cubic feet of air space, or to a floor space one-tenth as great in any such building or room; and hereafter no room used as a living or sleeping room shall be built without a window open to the outdoor air. (Ch. 57, sec. 57-4, Municipal Code, Vol. II, 1941.)

No room shall be used for sleeping purposes unless there are at least 400 cubic feet of air space and 50 square feet of floor space for each occupant over 12 years of age and at least 200 cubic feet of air space and 30 square feet of floor space for each child under the age of twelve years occupying such room. No room used for sleeping purposes shall be less than 60 square feet. (Ch. 57.1-7, Regulation 6, Municipal Code, Vol. II, 1941.)

The occupancy of any dwelling unit having more than one habitable room shall not exceed an average of one and one-half persons per habitable room. For the purpose of this regulation any child under one year of age shall not be counted and any child more than one year old but under 12 years of age shall be deemed to be one-half person. (Ch. 57.1-7, Regulation 7, Municipal Code, Vol. II, 1941.)

### *Ohio*

Cincinnati.—No room in any *dwelling* shall be so overcrowded as to afford less than 25 square feet of floor space for each child under twelve years of age and 50 square feet of floor space for each person over twelve years of age occupying such room for sleeping purposes. In computing the area of a room for this purpose, the space used for closets or other enclosed spaces shall not be considered part of the area.



No living apartment or *dwelling* of "H-1" or "H-3" *occupancy* shall be so overcrowded as to afford less than 70 square feet of floor space (excluding closets, other enclosed places, public halls and bathrooms) for each person occupying such apartment or *dwelling*. (Ch. VIII, sec. 2904-9, Housing Code.)

Cleveland.—No room used for sleeping purposes in any lodging house or industrial camp shall contain less than four hundred (400) cubic feet of air space nor shall it contain less than fifty (50) square feet of floor area for each person occupying such room. (Ch. 7, sec. 3.0710 [423], The Charter and the Codified Ordinances of the City of Cleveland, 1951.)

Toledo.—"Room" shall mean any room commonly used for living purposes but shall not include any space in a dwelling used as a lobby, hallway, closet, bathroom, storage space, utility rooms, unfinished attics, cellars or any room having a floor space of less than 50 square feet. (Sec. I, Regulation to Establish a Standard of Housing in City of Toledo, 1945.)

No part of the dwelling except a room as defined in Section I hereof shall be used for sleeping purposes. (Sec. II (10).)

The total of all habitable rooms in a dwelling unit shall be such as to provide at least 75 square feet of floor area per occupant under twelve years of age. (Sec. II (11).)

No sleeping room shall be occupied by more than two adults and one child under eight years of age, by persons of the same sex, or by children under twelve years of age where space permits. (Sec. II (12), Regulation to Establish a Standard of Housing in City of Toledo, 1945.)

### *Oregon*

Portland.—If the Bureau of Buildings finds a dwelling to be overcrowded, it shall order a reduction in the number of persons occupying the same.

A family unit shall be considered to be overcrowded if it contains more persons than  $1\frac{1}{2}$  times the number of habitable rooms except for a one-room apartment, where the limit of persons shall be 2.

A sleeping room shall be considered to be overcrowded if it contains less than 400 cubic feet of space for each person over 14 years of age, 300 cubic feet of space for each person over 6 years of age but not over 14 years of age, and 200 cubic feet of space for each person of 6 years of age and under. (Sec. 8-1404, Housing Code, 1950.)

### *Pennsylvania*

Chester.—Sleeping rooms—No room shall be used for sleeping purposes unless there are at least four hundred (400) cubic feet of air



space and 50 square feet of floor space for each adult and at least two hundred (200) cubic feet of air space and 30 square feet of floor space for each child under the age of twelve years occupying such room. No room used for sleeping purposes shall have a floor area of less than 60 square feet. (Reg. 8, Regulations Governing the Hygiene of Housing, 1950.)

*Philadelphia.*—No room in any dwelling-house, rooming-house, or tenement-house which is used for sleeping purposes, shall be occupied or permitted to be occupied at any time by more occupants than would permit for each occupant over twelve years of age at least four hundred cubic feet of air space, and for each occupant under twelve years of age at least two hundred cubic feet of air space. (Sec. 29, Philadelphia Housing Code, 1915.)

#### *South Carolina*

*Greenville.*—Without excluding other ways and means of determining that a dwelling is unfit for human habitation, the Building Commissioner may make such finding when one or more of the following conditions exists:

. When room floor space in a dwelling unit is less than the following: First bedroom, 100 square feet, and other bedrooms, if any, 70 square feet each.

When the number of persons above ten years of age residing in such dwelling unit is in excess of two times the number of rooms, exclusive of bathrooms and kitchens, except where kitchen is also used as another room, that is, as a bedroom for example, in which event same shall not be excluded. Occupants shall be responsible for exceeding the number herein fixed. This clause does not limit the number of dwelling units in one building. (Sec. 9, Sub-Standard Housing Ordinance, 1952.)

#### *Tennessee*

*Memphis.*—No owner, lessee, or keeper of any tenement house, lodging-house, boarding house, or manufactory, shall cause or allow the same to be overcrowded, or cause or allow so great a number of persons to dwell, be, or sleep in any such house, or any portion thereof, as thereby to cause any danger or detriment to life or health. (Div. 10, sec. 1279, The Memphis Digest, 1949.)

#### *Virginia*

*Newport News.*—(a) If any room in any dwelling is overcrowded, the health officer shall order the number of persons sleeping or living in such room to be so reduced that there shall be not less than fifty square feet of floor area to each adult and twenty-five square feet of



floor area to each child under twelve years of age occupying such room. No such room shall be occupied by more than four persons. No dwelling having more than one room shall be occupied by more than an average of two persons per room.

(b) No greater number of persons shall occupy for sleeping purposes any dwelling that will in the judgment of the health officer permit the proper segregation of the sexes over ten years of age in separate room.

(c) The health officer may prohibit lodgers in any dwelling if the taking in of lodgers results in conditions that, in his opinion, are detrimental to health. (Art. IV, sec. 20-33, The Charter and Code, 1950.)

*Norfolk.*—It shall be the responsibility of occupant or tenant to see that no room in any dwelling unit shall be used for sleeping purposes unless there are at least 400 cubic feet of air space per person and 50 square feet of floor space for each person 12 years of age or older, and at least 200 cubic feet of air space and 30 square feet of floor space for each child under 12 years of age. No room used for sleeping purposes shall have a floor area of less than 50 square feet. (Sec. 4 (b), The Norfolk Minimum Housing Standards Code, 1952.)

No room in any rooming house, lodging house, or hotel shall be occupied as a sleeping room unless there is at least four hundred (400) cubic feet of air space and 50 square feet of floor space for each adult, and at least 200 cubic feet of air space and 30 square feet of floor space for each child under the age of 12 years occupying such room for sleeping purposes. No room used for sleeping purposes shall have less than 50 square feet of floor space. (Sec. 8 (B), The Norfolk Minimum Housing Standards Code, 1951.)

*Richmond.*—No owner shall knowingly lease and no occupant shall use a room for sleeping purposes unless there are at least four hundred (400) cubic feet of air space and fifty (50) square feet of floor space for each adult and at least two hundred (200) cubic feet of air space and thirty (30) square feet of floor space for each child under the age of 12 years occupying such room. No occupant shall use a room for sleeping purposes which shall have a floor area of less than sixty (60) square feet. (Sec. 10, Housing Sanitation Ordinance, 1950.)

*Roanoke.*—No owner shall knowingly lease and no occupant shall use a room for sleeping purposes unless there are at least four hundred (400) cubic feet of air space and fifty (50) square feet of floor space for each adult and at least two hundred (200) cubic feet of air space and thirty (30) square feet of floor space for each child under the age of 12 years occupying such room. No occupant shall use a room for sleeping purposes which shall have a floor area of less than sixty (60) square feet. (Sec. 10, Housing Sanitation Ordinance, 1951.)



*Wisconsin*

*Milwaukee.*—The number of persons occupying any dwelling unit shall be less than the number which would result in overcrowding as determined by the following regulations:

Every sleeping room shall have at least 50 square feet of floor area per occupant twelve years of age or over and at least 25 square feet of floor area per occupant under twelve years of age.

The total of all habitable rooms in a dwelling unit shall be such as to provide at least 75 square feet of floor area per occupant twelve years of age or over, and at least 40 square feet of floor area per occupant under twelve years of age.

No sleeping room shall be occupied by more than two adults except that one child under 8 years of age in addition to two adults may be permitted, and except that rooms occupied by persons of the same sex or by children under 12 years of age may be occupied by more than two persons where space permits.

Every habitable room shall be not less than eight feet in height from the floor to the ceiling throughout not less than one-half of the area of such room. In computing floor area only that area having a ceiling height of eight feet or more shall enter into the computation. (Rule 5, Ordinance, Rules and Regulations Relating to Housing, 1945.)

## PROPOSED CITY ORDINANCES OR REGULATIONS

*Alabama*

*Mobile.*—For every sleeping room a minimum of 400 cubic feet of air space and 50 square feet of floor area for each adult and 200 cubic feet of air space and 30 square feet of floor area for each child under 12. (Sec. 1, Minimum Housing Standards, Draft of August 1951.)

*Hawaii*

*Honolulu.*—*Overcrowding*, after due notice by the Board of Health or its agent has been given for its abatement. Overcrowding is calculated by the cubic feet of space in a room. Each adult shall be provided with 400 cubic feet and each child under 12 years of age 200 cubic feet of air space. In calculating the volume of a room, any portion with a ceiling height of less than seven feet or any portion above a wall height of ten feet shall be disregarded. (Sec. 3.07, Honolulu Housing Code, Working Draft (Undated).)

*Massachusetts*

*Cambridge.*—In every dwelling unit of two or more rooms every room occupied for *sleeping* purposes shall contain at least 70 sq. ft. of



*floor space* for one occupant and for two or more occupants there shall be 50 sq. ft. of floor space for each occupant thereof. (Sec. 8, Housing Code, Preliminary Draft of 1952.)

*Minnesota*

*St. Paul.*—Every room used for living or sleeping shall contain not less than 600 cubic feet of air space for each person 12 years old or older occupying the room and 400 cubic feet of air space for each child under 12 years of age occupying the room. (Art. V, sec. 3, Proposed Housing Code, Draft of 1944.)

*New York*

*Binghamton.*—No person shall occupy or let to another for occupancy any dwelling or dwelling unit, for the purpose of living therein, which does not comply with the following requirements:

Every dwelling unit shall contain at least 150 square feet of *floor space* for the first occupant thereof and at least 100 additional square feet of floor space for every additional occupant thereof, the floor space to be calculated on the basis of total habitable room area.

In every dwelling unit of two or more rooms, every *room* occupied for *sleeping* purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one occupant shall contain at least 50 square feet of floor space of each occupant thereof. (Sec. 8, Proposed Housing Ordinance (Undated).)

*Pennsylvania*

*Philadelphia.*—Every dwelling unit shall contain at least one hundred and fifty square feet of habitable floor area for the first occupant, at least one hundred square feet of additional habitable floor area for each of the next three occupants, and at least seventy-five square feet of additional habitable floor area for each additional occupant. (Sec. 7, Proposed Housing Code, Draft of June 1953.)

*Rankin Borough.*—Every dwelling unit shall contain at least 150 square feet of floor area for the first occupant thereof and at least 100 additional square feet of floor area for every additional occupant, except that every building or structure occupied as a dwelling shall contain a total floor area of at least \_\_\_\_\_\* square feet. The floor area shall be calculated on the basis of total habitable room area. Every habitable room in a dwelling unit located in a multiple dwelling covered by the Acts of March 25, 1903, P. L. 54, sections 5 and 6, and March 30, 1903, P. L. 110, section 5, shall conform with the air space requirements of those laws.

\*To be determined later.



Every room occupied for sleeping purposes shall contain a total floor area adequate for the protection of the health of the occupants. The Director may prohibit the occupancy of any room for sleeping purposes when he determines that the total floor area of the room is inadequate. Any room occupied for sleeping purposes in a multiple dwelling covered by the Acts of March 25, 1903, P. L. 54, sections 5 and 6, and March 30, 1903, P. L. 110, section 5, shall conform with the air space requirements of those laws. (Sec. 822, Proposed Borough Housing Code (Undated).)

#### *Rhode Island*

*Providence.*—Every dwelling unit shall contain at least 150 square feet of floor space for the first occupant thereof and at least 100 additional square feet of floor space for every additional occupant thereof, the floor space to be calculated on the basis of total habitable room area.

In every dwelling unit of two or more rooms, every room occupied for sleeping purposes by one occupant shall contain at least 70 square feet of floor space, and every room occupied for sleeping purposes by more than one person shall contain at least 50 square feet of floor space for each occupant thereof. (Sec. 8, Minimum Standards Housing Ordinance, Draft of June 23, 1953.)

#### STATE LAWS AND REGULATIONS

*California.*—In every apartment in an apartment house at least one room shall contain not less than 120 square feet of superficial floor area, and every other room shall contain not less than 90 square feet of superficial floor area.

Each guest room in an hotel shall contain not less than 90 square feet of superficial floor area. However, the superficial floor area in the room may be not less than 70 square feet if:

The required aggregate window area in the room is not less than 16 square feet;

It is not occupied or designed for occupancy by more than one person.

Each room in a dwelling designed, built, or intended for sleeping purposes shall contain not less than 80 square feet of superficial floor area. (Ch. 11, State Housing Act of California, 1951.)

*Connecticut.*—If a room in a tenement, lodging or boarding house shall be overcrowded, the board of health may order the number of persons sleeping or living in such room to be so reduced that there shall not be less than five hundred cubic feet of air to each person over twelve years of age, and three hundred cubic feet of air to each child under



twelve years of age, occupying such room. (Sec. 4053, Public Health Statutes of 1950.)

*Iowa.*—If any room in a dwelling is overcrowded the health officer may order the number of persons sleeping or living in said room to be so reduced that there shall be not less than four hundred cubic feet of air to each adult and two hundred cubic feet of air to each child under twelve years of age occupying such room. (Sec. 413.77, Housing Law of Iowa, 1946.)

*Massachusetts.*—The number of occupants of any dwelling unit shall be less than the number which would result in such overcrowding as to make the unit unfit and which might result in its being a cause of sickness or a nuisance. Violation of any of the following standards constitutes such overcrowding:

Dwelling units consisting of more than one room shall have a total area, exclusive of passageways, storage space, and bathrooms, of at least ninety (90) square feet per occupant up to and including four persons and an additional sixty (60) square feet per additional occupant thereof.

In computing the total floor area, only that portion of an attic room shall be counted which has a clear height of at least five (5) feet under a pitched roof or seven (7) feet under a flat roof. No room shall be used for sleeping purposes unless it contains fifty (50) square feet of floor area for each user.

A light-housekeeping dwelling unit or a rooming unit used for both living and sleeping purposes shall have not less than ninety (90) square feet of floor area per occupant unless a common living room of at least one hundred and eighty (180) square feet with fifteen (15) square feet additional floor area for each such unit above the first ten, is provided in the building. Where a common room is so provided, a one-room light-housekeeping dwelling or rooming unit shall have not less than eighty (80) square feet of floor area, and shall have not less than sixty (60) square feet of floor area per occupant. (Laws Relating to Public Health, 1948.)

*Michigan.*—No bedroom or room used as a bedroom in any class "b" multiple dwelling shall be so occupied as to provide less than 500 cubic feet of air space per occupant, exclusive of the cubic air space of bathrooms, toilet rooms and closets. No room, suite, or group of rooms, comprising a family dwelling unit, in any single, 2 family or class "a" multiple dwelling shall be so occupied as to provide less than 800 cubic feet of air space per occupant exclusive of the cubic air space of bathrooms, toilet rooms and closets. No bedroom or room used as a bedroom in any single, 2 family or class "a" multiple dwelling shall be so occupied as to provide less than 300 cubic feet of air space per



occupant, exclusive of the cubic air space of bathrooms, toilet rooms and closets. (Sec. 2571, Housing Law of Michigan, 1939.)

*Minnesota.*—If any room in a dwelling is overcrowded, the commissioner of health may order the number of persons sleeping or living in the room to be so reduced that there shall be not less than 600 cubic feet of air to each adult and 400 cubic feet of air to each child under 12 years of age occupying such room.

The commissioner of health may prescribe conditions under which lodgers or boarders may be taken in dwellings and may prohibit the letting of lodgings therein. (Sec. 460.61, Minnesota Housing Act, 1927.)

*New Hampshire.*—Every room occupied for sleeping purposes by one person shall contain a minimum of 70 square feet of floor space, and every room occupied for sleeping purposes by more than one person shall contain a minimum of 50 square feet of floor space for each occupant thereof. Every room occupied for sleeping purposes shall have a clear ceiling height of at least seven feet six inches over eighty-five percent of the floor area, and that part of any sleeping room where the ceiling height is less than five feet shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining the maximum occupancy. (Sec. C, Reg. 5-53, Sanitary Laws and Regulations, 1953.)

*New Jersey.*—No room in any tenement house shall be so overcrowded that there shall be afforded less than four hundred cubic feet of air to each adult, and two hundred cubic feet of air to each child under twelve years of age, occupying such room. (Sec. 55:6-14, New Jersey Tenement House Act, 1937.)

*New York.*—Every room in every multiple dwelling, whenever erected, shall have at least four hundred cubic feet of air for each person twelve years of age or older, and two hundred cubic feet of air for each child under twelve years of age, occupying such room. No room shall have sleeping accommodations for more persons than can be accommodated in conformity with this provision. (Sec. 31, New York State Multiple Dwelling Law, 1952.)



EXHIBIT 6

MEMORANDUM

NOVEMBER 18, 1953.

To: Mr. James W. Rouse, Chairman, Subcommittee on Urban Redevelopment, Redevelopment Rehabilitation and Conservation, President's Advisory Committee on Housing.

From: J. W. Follin, Director, Division of Slum Clearance and Urban Redevelopment, HHFA, OA.

Subject: Information on Standards Pertaining to Planning, Codes and Rehabilitation.

(Attention: Carl Feiss.)

In response to Mr. Feiss' verbal request to Messrs. Barnhart and Merrill of our Planning and Engineering Branch on November 5, there are transmitted herewith statements concerning the provisions of the Housing Act of 1949 and the 1954 Appropriation Act relative to codes and regulations, rehabilitation, and local planning, how the provisions are administered, delays in completing general plan and codes documentation, some accomplishments to date, and methods of establishing Federal and local objectives, and standards for assisting and integrating all elements of slum elimination and prevention programs.

Attachment.

LOCAL PLANNING, CODE ENFORCEMENT, AND REHABILITATION REQUIREMENTS AND ANALYSIS IN THE SLUM CLEARANCE AND URBAN REDEVELOPMENT PROGRAM

I. SUGGESTIONS AND RECOMMENDATIONS FOR IMPROVEMENTS

*A. Codes and Regulations.*—Code enforcement, rehabilitation, neighborhood conservation, slum clearance and redevelopment are all measures directed toward the common objectives of conserving and improving the housing supply of the Nation and making our cities better places in which to live. A sound general plan for the development of the locality as a whole and a vital continuing city planning program are essential to the coordination of planning and action necessary for attainment of those objectives. Some method must be found for impressing these facts upon the cities and for expanding the



facilities of private organizations of the Nation which are qualified and equipped to assist local governments in strengthening their planning administration and improving their codes and regulations relative to adequate standards of health, safety and occupancy of dwellings, as well as methods of code administration, inspection and enforcement.

As soon as practicable the HHFA should adopt a policy of requiring, as a prerequisite of approval of any application for financial assistance under Title I, that the governing body of a locality certify and furnish supporting evidence with such certification that:

1. The locality has undertaken a positive plan and program directed toward the ultimate objectives of elimination and prevention of slums and blighted areas in the community through all practicable measures.

2. The locality is taking necessary steps to prevent deterioration of the neighborhood in which the redevelopment project is located and to promote rehabilitation in the neighborhood where necessary and feasible.

Such a program would of necessity be long-range in nature and would embrace the following elements:

1. Adoption, improvement and modernization of local codes and regulations to encourage the reduction of housing costs and prevent the spread or recurrence of slums and blighted areas.

2. Formulation and execution of plans and programs for the conservation and improvement of neighborhoods in accordance with the General Plan of the locality by:

- (a) Elimination and prevention of conditions of blight and of overcrowding in dwellings, and the rehabilitation or clearing of substandard properties, through vigorous and continuous enforcement of adequate local regulations and standards, and cooperation of property owners and investors;

- (b) Needed public improvement of streets, utilities, facilities, and services in areas which are deteriorating or threatened with deterioration;

- (c) Rezoning of areas improperly zoned and replatting of vacant land where necessary;

- (d) Clearance of slums and blighted areas by the removal or demolition of structures where a rehabilitation program is impracticable; and

- (e) Redevelopment of the cleared sites for appropriate private or public use;

- (f) Relocation in healthful, safe, and sanitary dwellings of families displaced by code enforcement efforts or by programs for rehabilitation of dwellings.



*B. Local and metropolitan planning.*—The Housing Act of 1949 is the first Federal legislation requiring a determination by the local governing body that a Federally aided housing project proposal must conform to the general plan of the locality. Experience with this provision of the act has demonstrated that the communities are quick to appreciate the importance of a general plan of the community as a guide for future development when they see that the Federal Government takes the matter seriously enough to require the existence of such a plan as a guide to making its determination in granting financial assistance to the locality. It is also found that the localities are willing and able to undertake an adequately financed, positive planning program, when they are made aware of the advantages of such a program and the relatively low cost involved compared with the amount of financial assistance they are requesting of the Federal Government and the total annual expenditures of the community for public improvements year in and year out.

During the past three decades the number of Federal programs directly affecting the physical development of our urban communities has steadily increased. With 2 or 3 notable exceptions there has been little if any conscious effort on the part of Federal agencies administering these programs to cope with the local problems created by the cumulative effect of the Federal programs upon the communities, and very little concern as to whether the local developments undertaken with Federal financial assistance were in conformity with the general plan for the development of the community as a whole.

There are several Federal programs which vitally affect community development and which to insure most efficient use of Federal funds, if for no other reason, should include as one of the basic requirements the existence of an up-to-date general plan of the community, and conformity of Federal or Federally aided projects with the general plan. The following are examples: HHFA—Slum Clearance and Urban Redevelopment, Federal Housing Administration, Public Housing Administration, Community Facilities and Special Operations; Department of Commerce—Bureau of Public Roads, Civil Aeronautics Authority; Department of Health, Education and Welfare—Hospital Construction, School Construction, Stream Pollution Abatement Program; Department of Defense—Construction of bases and other installations and facilities affecting nearby urban areas; Veterans' Administration—Construction of Hospitals, Veterans' Housing Program; and the General Services Administration—Construction of Federal buildings by the Public Buildings Service.

The accumulative effect of these programs upon the community is such as to place upon the Federal Government the responsibility for actively promoting and encouraging adequate and sustained local



planning to insure the coordination of the Federal or Federally aided projects with each other and with local plans for future development, as well as to insure the existence and use of a plan and a continuing planning agency as a focal point for consultation and advice in each community with respect to plans for future development of the community.

The Federal Government would be justified in providing at least the financial assistance necessary to initiate, stimulate and encourage local and metropolitan planning in any community on some matching basis, through the State planning boards. It is of greater importance, however, that the Federal Government adopt a firm policy in the matter with a positive approach and with concerted effort not only in requiring a unified, continuing local and metropolitan planning program as a requirement for Federal assistance but of helping the locality to see how they can afford to do the planning job with their own financing. In other words, this proposal involves the adoption of a firm policy and implementation of that policy with proper instructions to all Federal field personnel having contact with local officials on the above types of programs, with persistent followup as to the adequacy of local results and some simple system of integrating the efforts of Federal agencies not only in Washington and field offices but of the several Federal officials working in a single community.

HHFA is in a position to do more for the orderly and economical development of the urban communities of the country than any Federal agency has done to date. Under its programs and authority, including the provisions set forth in the statement of Housing Policy in the Housing Act of 1949, the HHFA is given the opportunity if not the obligation to take leadership in promoting the adoption of this policy and in carrying it out. Quoting from the act:

"The Housing and Home Finance Agency and its constituent agencies, and other departments or agencies of the Federal Government \* \* \* shall exercise their powers, functions, and duties under this or any other law, consistently with the National Housing Policy declared by this act and in such manner as will facilitate sustained progress in attaining the national housing objective hereby established, and in such manner as will encourage and assist \* \* \* (4) the development of well-planned, integrated, residential neighborhoods and development and redevelopment of communities; \* \* \*"

This new coordinated planning approach to the solution of urban problems by the Federal Government would give new and concrete meaning to the National Housing Policy. No longer would the Federal Government neglect its responsibility to encourage sound local planning and to recognize the integrity of sound local plans locally



prepared, a responsibility which is implied but not specifically required by so many Federal aid statutes.

## II. WHAT THE LAWS PROVIDE

The Housing Act of 1949 provides that the policy to be followed in attaining the National Housing objectives established therein shall include provision for encouragement and assistance by the Federal Government to private enterprise and appropriate local public bodies in meeting the total urban and rural housing needs, through the production of housing of sound standards at lower costs, elimination of substandard and other inadequate housing through clearance of slums and blighted areas, provision of adequate housing for low-income families, development and redevelopment of communities, and development of well-planned integrated residential neighborhoods.

Under section 101 (a) of the Housing Act of 1949, as amended, the Administrator is required to "give consideration to the extent to which appropriate local public bodies have undertaken positive programs \* \* \* for preventing the spread or recurrence, in such community, of slums and blighted areas through the adoption, improvement, and modernization of local codes and regulations relating to land use and adequate standards of health, sanitation, and safety for dwelling accommodations."

Section 101 (b) of the Housing Act of 1949 provides that the Administrator, in extending financial assistance under Title I, shall, "Encourage the operations of such local public agencies as are established on a State, or regional (within a State), or unified metropolitan basis, or as are established on such other basis as permits such agencies to contribute effectively toward the solution of community development or redevelopment problems on a State, or regional (within a State), or unified metropolitan basis."

Section 105 (a) of the Housing Act of 1949 provides that contracts for financial aid shall require that "the redevelopment plan conforms to a General Plan for the Development of the locality as a whole." While the term "General Plan" is not defined in Title I, the legislative history of, and provisions in Title I indicate that on or before the date of approval of a redevelopment plan by the governing body of the locality such a general plan must be in existence and that the general plan must encompass overall planning for the locality as a whole prescribing local objectives as to land uses and improvement of traffic, public transportation, public utilities, recreational and community facilities and other public improvements.



The First Independent Offices Appropriation Act, 1954, contains the following pertinent provisos:

That before approving any local slum clearance program \* \* \* the Administrator shall give consideration to the efforts of the locality to enforce local codes and regulations relating to adequate standards of health, sanitation and safety for dwellings and

To the feasibility of achieving slum-clearance objectives through rehabilitation of existing dwellings and areas.

That the authority under Title I of the National Housing Act shall be used to the utmost in connection with slum rehabilitation needs.

### III. HOW THE LEGAL PROVISIONS ARE ADMINISTERED

These legal provisions are administered by DSCUR through its review and approval or disapproval of applications for Federal financial assistance submitted by properly authorized local public agencies participating in the program, under Title I of the Housing Act of 1949. In support of their applications the local public agencies are required to submit documentary evidence as to (a) the adoption, improvement, modernization, and enforcement of codes, regulations, and laws relating to land use and adequate standards of health, safety, sanitation, and occupancy of dwelling accommodations; (b) the feasibility of achieving slum clearance objectives in the area covered by the application through the rehabilitation of existing dwellings and the area; and (c) status and use of the general plan of the locality as a whole.

*A. Codes and regulations.*—The evidence required with respect to regulatory measures includes: (a) copy of each pertinent regulatory measure currently in force, such as zoning, land subdivision, building, housing, etc.; (b) a signed statement from the mayor (or city manager) of the locality outlining the positive programs in force in such community for the enforcement of local codes and regulations relating to adequate standards of health, sanitation and safety for dwellings including particularly occupancy standards. This statement is required to describe the authority, methods, machinery, personnel, and funds utilized in such programs including:

(a) A brief description of the present organization for the administration and enforcement of such local codes and regulations, the personnel or staff therefor, the funds provided and the methods or practices pursued in enforcement. Details are requested respecting the number of cases which, during the last year (calendar or fiscal) have been cited as being in violation of such codes and regulations and respecting the disposition of such cases.

(b) A brief description of the community's future program, if any, for the adoption, improvement, and modification of such codes



and regulations and for the implementation or expansion of the community's enforcement efforts.

(c) The steps taken and to be taken to effect the proper relocation of any families that may be displaced by such enforcement efforts, particularly through the elimination of overcrowding and insanitary, unhealthful, and unsafe conditions of occupancy.

(d) Conclusions with respect to the sufficiency and effectiveness of present enforcement efforts and also of any positive programs for the future.

*B. Feasibility of rehabilitation.*—The evidence required with respect to feasibility of rehabilitation of dwellings and areas is a resolution adopted or a statement approved by the LPA's governing board reciting findings and conclusions as to the feasibility of achieving slum clearance objectives in the project area covered by an application through the rehabilitation of existing dwellings and the area. Applicants are advised that such resolution or statement should deal generally with structural condition of the property and the practicability of rehabilitation at a reasonable cost; should recite what local determinations, findings, and recommendations have been made respecting the necessity for clearing the area for redevelopment and the suitability for rehabilitation of the dwellings or area; should be accompanied by any pertinent evidence and data.

If it is concluded that rehabilitation, even if otherwise practicable, is not feasible because the elimination of residential uses in the project area constitutes the community's principal slum clearance objective, the supporting data must show that the demolition or clearance of the dwellings is essential for the achievement of such objective and that the continuance of existing residential uses is fraught with danger to the well-being of the community.

*C. Administrative policies relating to code enforcement and rehabilitation.*—It is the policy of the HHFA that with respect to codes and their enforcement the LPA must submit (1) with the survey and planning application, the mayor's statement showing that enforcement is or will be satisfactory and (2) with preliminary project report, evidence of actual accomplishments. Loan and grant contracts will require continuance of effective enforcement efforts.

If the existing positive program of code enforcement in a community is inadequate or ineffectual and if it further appears that there is little likelihood that the status of the enforcement program can be raised to a satisfactory level by any proposed positive programs, the application for Title I assistance will be rejected until the enforcement situation has been placed on a satisfactory basis.

If the enforcement situation is satisfactory or there seems to be definite indication that the enforcement situation can and will be im-



proved through proposed positive programs of enforcement, then the application will be cleared so far as code enforcement is concerned. However, evidence of actual accomplishments in the enforcement of codes and regulations relating to health, sanitation and safety will be required as a condition to making funds available for final planning activities.

Specific requirements will be included in loan and capital grant or capital grant only contracts, such as (a) continuance of effective code enforcement activities throughout the community; (b) concentrated enforcement activities in the project area, especially the elimination of overoccupancy and the closing up of unsanitary and unsafe structures in advance of land acquisition and as a means of reducing the cost thereof, appropriately implemented with a relocation program meeting our established policies; and (c) concentrated enforcement activities, including rehabilitation and repairs in the area surrounding and immediately adjacent to the project area as a means of preventing slum conditions from spreading or creeping into the redeveloped area.

It is also the policy of the HHFA that for approval of a project application the LPA must show that the objectives of Title I cannot be achieved by rehabilitation and if conclusive evidence is not already available, preliminary planning funds may be advanced to gather it. Final planning may be approved only for areas or parts of areas where rehabilitation is not feasible without Title I aid.

If it be determined that the slum clearance objectives can be accomplished by rehabilitation, then Title I funds would be denied.

With respect to applications for advances for preliminary plans and surveys, satisfactory evidence or authoritative opinions as to the feasibility of rehabilitation frequently may not be available at the stage of the filing of such application. Evidence as to the feasibility of rehabilitation in a project area usually cannot be procured without expensive and time-consuming surveys and studies which the locality may be unable to undertake without financial assistance. Accordingly, in view of the emphasis placed upon rehabilitation in the congressional enactment, an advance of funds in the preliminary survey and planning stage to a local public agency for the purpose of ascertaining the feasibility of rehabilitation may be justified. If upon the completion of such study it appears that rehabilitation is feasible, then the project would be forthwith terminated as a redevelopment project. On the other hand, if the slum clearance objectives can be attained only through clearance operations, then the project would be carried into the final advance stage of planning, provided other requirements have been met.



It is anticipated that many projects may involve both clearance and rehabilitation. In such cases it would be required that the clearance operations be confined solely to such structures and areas the rehabilitation of which is not feasible in the light of the slum clearance objectives of the community. Joint clearance and rehabilitation undertakings involving rehabilitation to the fullest extent feasible will carry out the congressional intent and may materially reduce costs and the amount of Federal participation.

*D. Financial aid through FHA.*—As mentioned above the First Independent Offices Appropriation Act, 1954 also contains the proviso, "That, the authority under Title I of the National Housing Act shall be used to the utmost in connection with slum rehabilitation needs." Title I of the National Housing Act pertains to renovation and modernization loans administered by the FHA. The feasibility of achieving slum clearance objectives through rehabilitation is dependent, in part, upon the availability of funds for renovation and modernization of structures and, therefore, FHA's review of its Title I program to determine its proper role in connection with the rehabilitation program is desirable.

*E. General plan of the locality.*—Section 105 (a) of Title I provides that contracts for financial aid shall require that the approval of the redevelopment plan for a project area by the local governing body shall include findings that "the redevelopment plan conforms to a general plan for the development of the locality as a whole." Section 110 (b), in defining a redevelopment plan for a project, states that such plan, among other requirements, shall be sufficiently complete "to indicate its relationship to definite local objectives as to appropriate land-uses and improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements." It is required, therefore, that there shall be such a general plan which covers these local objectives and which is recognized and used by the local governing body; and that it shall be in existence at the time the local public agency submits the redevelopment plan for a project area to the local governing body for its approval.

The provisions of the act make it clear that slum clearance and urban redevelopment projects assisted under Title I must be based on sound community planning. The objectives of Title I can be assured and projects for which Federal funds are made available will be adequately protected from blight only when the community in which a project is located has a general plan and a positive and continuing planning program which serves to guide the development of the locality and its component parts. Thus the Administrator has the responsibility of assuring that such projects are carried out within the framework of adequate community planning.



The broad objective of a general plan is to guide the future development and growth of a community in such a manner as to make it a better place in which to live and work. A well-coordinated general plan will provide a framework for healthy development of the community and prevent the development and recurrence of slum and blighted conditions. The community's planning program must include the preparation and use of a general plan for the locality as a whole, against which any proposed development or redevelopment project can be viewed. Furthermore, in view of the present defense emergency, it is imperative that the impact of national defense and local civil defense needs and requirements on community planning be taken into account.

Before the local public agency seeks approval of the redevelopment plan for a project by the local governing body, there must be in existence a general plan for the development of the locality as a whole which meets certain requirements of the DSCUR and it must be submitted with the redevelopment plan for review by the Division. While these requirements cannot be set forth in the form of a detailed specification for a general plan that would be applicable to every community, because communities' needs, size, complexity, and problems vary, nevertheless the Division must be assured that certain minimum objectives have been met: (1) There must be a general plan which contains the three major parts and certain elements as described in section 4, of the Local Public Agency Manual covering the physical layout of the locality, programs for the development and redevelopment of the locality, and regulatory controls; (2) the planning program must provide for a continuity of planning in line with sound community planning principles and objectives; and (3) the general plan must provide assurance that any project assisted under Title I will be adequately protected from blight.

The general plan documentation submitted by the LPA includes the following:

(a) The general plan, including information with respect to the adoption of the plan or any of its parts or elements by the local planning commission or by the local governing body, as may be provided in local or State enabling legislation.

(b) A statement describing the organization and functions of the local planning agency, including size of staff and budget.

(c) A summary of the work program of the local planning agency, including the work scheduled to be undertaken, as well as work underway.

(d) Evidence of the use of the general plan, describing the practices followed by public or private agencies in relating their work



to the general plan, and in the review of development, public or private, by the local planning agency.

(e) A statement describing the overall slum clearance and redevelopment program of the community.

At the time the local public agency submits to the Division its first application for financial assistance, there is required to be submitted, as a minimum toward meeting the foregoing requirements, a report on the status of the general plan. The report includes a statement as to whether there is a general plan for the development of the locality as a whole, description of the use being made of the general plan, and the status of any State, regional or metropolitan area planning and development agencies or activities. On Form H-682 is reported the status of the major elements of the general plan which have been or are being prepared or revised and whether submitted to the Division. Submission of a copy of each available element is also required.

If a general plan does not exist, or if any of the major plan elements do not exist, at the time the LPA submits its initial application for financial assistance, satisfactory assurance must be furnished that the requirements of Title I with respect to the general plan will be met. This assurance may take the form of a statement of the steps which the community has taken and proposes to take in order to meet the general plan objectives of the program, a copy of the work program and time schedule adopted by the local planning agency for the completion of the major elements of the general plan, and a statement as to funds, staff and other resources available or to be made available for carrying out the program to meet the general plan requirements of the Title I program.

Once the documentation has been submitted by the LPA, it is necessary to submit supplementary information only to reflect additions and changes. If the LPA has not previously complied with the general plan requirements, it must submit the general plan before it seeks approval of the redevelopment plan by the local governing body.

The development of a general plan and the conduct of a community-wide planning program are not the responsibility of the local public agency (except where the agency is a municipality or has been given the authority to undertake such planning), and are not activities that may be financed with advances of funds or loans under Title I. Nevertheless, it is necessary that the local public agency understand the problems and work involved in community planning so that it may be able to carry out its work more effectively in its general day-to-day operations as well as in the specific tasks of obtaining and presenting information required in support of its requests for financial aid.



*F. Review of documentation submitted.*—In considering the locality's accomplishments toward the objectives of section 101 (a) of Title I and of the above-mentioned provisions of the 1954 Appropriation Act, Division staff reviews the regulations and other documentation submitted by the LPA and summary reports of findings are prepared for consideration by the staff, the Director and the Administrator. These review reports not only provide a record of the extent to which a locality has adopted those regulations considered essential for control of local development and building construction and maintenance, and the adequacy and age of the regulations currently in effect, but they point out serious deficiencies in the regulations which if not corrected may affect the approval of a loan and grant contract or may necessitate special provisions in such a contract and in LPA contracts with redevelopers. The reports also summarize the information submitted describing existing code enforcement agencies, present enforcement efforts and future plans for improvement of codes and enforcement efforts and provide a record of progress made in such improvement during the survey and planning stage. In addition the reports summarize the findings and conclusions of the LPA as to the feasibility of achieving slum clearance objectives in the area covered by an application, through the rehabilitation of existing dwellings and the area.

Documentation with respect to the general plan of the locality submitted by the LPA is reviewed by Division staff and summary reports of findings and conclusions are prepared for consideration by the staff, the Director and the Administrator in passing on project applications and determining the conformity of the redevelopment plan with the general plan. The review by the division of a general plan at any particular stage in the local slum clearance and urban redevelopment program will take into account the kind of local planning program which exists in the community, the organization of local planning activities, the character and scope of these activities, the extent to which the general plan has been developed in its various elements, the extent to which it is systematically being expanded and revised to meet the changing needs and problems of the community, and the extent to which the plan is being used as a guide for the development of the locality as a whole.

#### IV. REASONS FOR DELAYS IN COMPLETING CODES AND GENERAL PLAN DOCUMENTATION

Delays in Division approval of project applications, due to requirements respecting codes and their enforcement, have occurred in connection with (a) an occasional application where final approval was



withheld until the locality had submitted the necessary information to satisfy the requirements of Section 101 (a) of the act and (b) those applications of all types which were pending on July 1, 1953, the final approval of which was withheld until submission by the localities of additional information to enable the Administrator to comply with the mandate of Congress in the First Independent Offices Appropriation Act, 1954 referred to above. In both types of cases, the deficiencies have been brought to the attention of the local public agency promptly and the processing of the application has been completed as rapidly as possible after receipt of the necessary information. Such delays in connection with new applications are precluded by the more stringent requirements imposed by revisions of the LPA Manual during the past year and by the provisions in the 1954 Appropriation act.

Delays in Division approval of project applications have also occurred when such applications have not been supported by required documentation with respect to the general plan because it was incomplete or not available. These delays have resulted primarily from failure of the LPA to appreciate the importance of early consultation with the local planning agency to acquaint it with the requirements, or to consult with the city administration concerning creation of a planning agency where none existed, or delay by the city in appropriating the funds necessary to enable the planning agency to prepare or revise the general plan for the locality. While much has been done to further reduce these delays by revisions which have been made in requirements and procedures as set forth in the Local Public Agency Manual, there will continue to be occasional delays for the above-mentioned reasons, especially in those municipalities where a vital continuing planning operation has not been established with adequate budget, staff and technical guidance and vigorous official and public support.

#### V. SOME ACCOMPLISHMENTS TO DATE

Nearly all the cities in both the planning and development stage have adopted zoning, land subdivision, and building regulations although a considerable number need complete revision. There is a noticeable trend toward the adoption of one of the four nationally recognized standard building codes and the National Plumbing Code by reference. One of the principal advantages of such codes is that they are kept up to date by the code-writing groups. Relatively few cities have adopted housing regulations as such, establishing standards of health, sanitation, safety and occupancy of dwellings, but a number of cities have them under consideration. Several of the localities which have not adopted subdivision regulations have them under con-



sideration, although a few such cities in which little vacant land remains for development question the necessity to adopt any. However, this is not considered a sound position because of the importance of subdivision regulations in any system of standards for maintaining proper uses of land and adequate housing conditions. Further, such a position is unsound for such of those cities as adjoin undeveloped, unincorporated areas over which the city is authorized by law to exercise subdivision control.

We have indications that a number of cities are taking steps to improve one or more of their codes and regulations or to adopt new codes which are directly traceable to the DSCUR program.

Many of the letters submitted by mayors and city managers indicate the inadequacy of the present code administration and enforcement agencies to cope with the job of bringing substandard dwellings up to adequate standards of health, safety, sanitation, and occupancy. The reasons include lack of established standards, sufficient personnel, necessary funds, proper organization, modern methods of integrated inspection, reporting and administration and public support. A number of the letters indicate that steps are being taken or will be taken to improve enforcement efforts. It is also apparent that very few of the cities are giving serious attention to the proper relocation of families displaced by code enforcement efforts or a large-scale program of rehabilitation of dwellings. Relatively few of the letters indicate that positive steps are being taken to improve enforcement efforts.

As a result of the general plan requirements under the Title I program, it is generally conceded that the amount and quality of city and metropolitan planning are rapidly improving. The program has served as a much needed impetus to cities to reactivate or expand their planning program by bringing to date their general land use, circulation, public utilities and community facilities plans, developing long-range public improvement programs and overall urban redevelopment programs, and revising their zoning, land subdivision housing and related regulations or adopting new regulations. There are a number of instances in which the Title I program has been directly responsible for the locality inaugurating a planning program for the first time in connection with which staff of the DSCUR has given valuable advisory assistance in many cases.



EXHIBIT 7

INCOME, MEASURED BY ELIGIBILITY FOR LOW-RENT PUBLIC HOUSING, OF FAMILIES IN TITLE I PROJECT AREAS

NOVEMBER 4, 1953.

JAMES W. ROUSE,

*Chairman, Subcommittee on Urban Redevelopment, Rehabilitation, and Conservation of the President's Advisory Committee on Housing Policies and Programs.*

J. W. FOLLIN,

*Director, Division of Slum Clearance and Urban Redevelopment:*

At your request, I present data on the incomes, measured by eligibility for low-rent public housing, of families in local slum clearance project areas approved for final planning or development as of September 30, 1953.

These data are based almost wholly upon estimates submitted by local public agencies in preliminary reports of project area delineation, in conformance with DSCUR program requirements. Generally, a family-by-family survey is not undertaken in a project area until shortly before the local public agency is ready to commence the relocation operation. Only a comparative small number of family-by-family surveys has been undertaken to date.

The eligibility of families for admission to low-rent public housing projects is determined by the local public agency on the basis of the requirements prevailing locally. Early in 1952 local housing authorities were authorized to admit families displaced from title I project areas at income limits ranging up to those governing continued occupancy rather than the lower limits governing general admissions.

The data summarized herein do not necessarily reflect either the adequacy of existing local low-rent public housing projects, or the need for additional low-rent units, to accommodate the eligible families to be displaced. As stated, the data merely summarize the general patterns of incomes estimated to prevail among the families in the project areas when they were delineated. Assessment of the actual or projected role of low-rent public housing in facilitating or making possible the relocation in decent, safe, and sanitary dwellings within their economic means of families to be displaced involves consideration of such factors, among others, as: (a) Turnover rates in the existing supply, including rate differentials between units allocated



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for white and nonwhite families and (b) the relationship between the scheduling of title I relocation and the scheduled availability of low-rent units under construction or to be constructed.

For the projects for which data are available, the following tables summarize family incomes, measured by eligibility for low-rent public housing, on an overall basis and separately for white and nonwhite families in projects in continental United States. The data applicable to Hawaii and Puerto Rico are summarized separately because of the economic and social differences that exist between these Territories and the continent.

HOUSING AND HOME FINANCE AGENCY, OFFICE OF THE ADMINISTRATOR, DIVISION OF SLUM CLEARANCE AND URBAN REDEVELOPMENT—TITLE I, HOUSING ACT OF 1949

*Income of families in local slum clearance project areas, continental United States: 99 of 112 projects approved for final planning or development as of Sept. 30, 1953*

Percent of families eligible for low-rent public housing	Number of projects	Number of families	
		Total	Eligible for low-rent public housing
<b>A. All families, total.....</b>	<b>99</b>	<b>55,030</b>	<b>28,501</b>
0 percent.....	1	23	0
1 to 40 percent.....	24	15,126	4,657
41 to 50 percent.....	23	18,212	8,472
51 to 60 percent.....	14	4,151	2,298
61 to 70 percent.....	13	4,055	2,700
71 to 80 percent.....	15	11,660	8,793
81 to 90 percent.....	8	1,723	1,501
91 to 99 percent.....	0	0	0
100 percent.....	1	80	80
<b>B. White families, total.....</b>	<b>93</b>	<b>19,468</b>	<b>8,641</b>
0 percent.....	8	157	0
1 to 40 percent.....	31	6,630	1,827
41 to 50 percent.....	23	8,226	3,757
51 to 60 percent.....	8	1,104	609
61 to 70 percent.....	7	1,402	874
71 to 80 percent.....	9	1,194	884
81 to 90 percent.....	3	131	110
91 to 99 percent.....	1	465	421
100 percent.....	3	159	159
<b>C. Nonwhite families, total.....</b>	<b>87</b>	<b>35,562</b>	<b>19,860</b>
0 percent.....	3	14	0
1 to 40 percent.....	14	7,552	2,235
41 to 50 percent.....	17	10,144	4,748
51 to 60 percent.....	13	3,875	2,191
61 to 70 percent.....	10	2,637	1,775
71 to 80 percent.....	17	9,067	6,928
81 to 90 percent.....	6	1,644	1,406
91 to 99 percent.....	3	606	554
100 percent.....	4	23	23

<sup>1</sup> Exclusive of 13 projects as follows: 11 projects reporting 2,073 total families; further data on income not available; 1 predominantly open project reporting no families on site; 1 project for which population data are not available.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

HOUSING AND HOME FINANCE AGENCY, OFFICE OF THE ADMINISTRATOR, DIVISION OF SLUM CLEARANCE AND URBAN REDEVELOPMENT—TITLE I, HOUSING ACT OF 1949

*Income of families in local slum clearance project areas, Hawaii and Puerto Rico: 21 of 22 projects approved for final planning or development as of Sept. 30, 1953*

Percent of families eligible for low-rent public housing	Number of projects	Number of families	
		Total	Eligible for low-rent public housing
Total families.....	<sup>1</sup> 21	8,315	6,726
0 percent.....	0	0	0
1 to 40 percent.....	2	478	67
41 to 50 percent.....	0	0	0
51 to 60 percent.....	2	344	185
61 to 70 percent.....	2	1,748	1,206
71 to 80 percent.....	1	104	83
81 to 90 percent.....	7	2,055	1,780
91 to 99 percent.....	7	3,586	3,405
100 percent.....	0	0	0

<sup>1</sup> Exclusive of 1 project for which population data are not available.



## EXHIBIT 8

## ASPECTS OF COST: 42 PROJECTS WITH LOAN AND GRANT ALLOCATIONS

## HOUSING AND HOME FINANCE AGENCY

## OFFICE OF THE ADMINISTRATOR

## DIVISION OF SLUM CLEARANCE AND URBAN REDEVELOPMENT

September 30, 1953

## INTRODUCTORY NOTE

This analysis is concerned with certain cost relationships under the cost estimates and financing plans of the 42 local slum clearance and urban redevelopment projects for which loan and grant applications had been approved, under title I of the Housing Act of 1949, as of September 30, 1953. The 42 projects are located in 22 communities in 14 States, the District of Columbia, and Puerto Rico. Some 92 other projects—located in 74 localities in 19 States, Puerto Rico, and Hawaii—had been delineated as of the same date, but these are excluded from the study because the redevelopment plan, and corresponding cost estimates and financing plans, are generally not sufficiently detailed (reflecting program requirements at this stage) to permit the same type of analysis.

The cost relationships presented in this study on the basis of the 42 projects with approved cost and financing plans are probably not typical of the relationships that may be anticipated when 100 or more projects have reached the development stage. Fewer than half, or only 18, of the present projects are located in cities under 500,000 population. The majority, or 24, are located in 18 of the Nation's largest communities, with a predominance of projects in the middle Atlantic and north central regions, where patterns of real estate values and redevelopment potential may differ considerably from those prevailing in the southern and western sections of the country. The actual distribution by size of the cities in which the 42 projects are located is as follows:



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

Site of locality (1950 census).	Number of projects
Total	42
1 million and over <sup>1</sup>	18
500,000-999,999	6
250,000-499,999	6
100,000-249,999	5
50,000-99,999	3
25,000-49,999	2
10,000-24,999	2

<sup>1</sup> Includes Commonwealth of Puerto Rico (exclusive of municipalities of Mayaguez, Ponce, and San Juan).

Only 2 of the 42 projects covered by this analysis are in predominantly open land areas. Forty are in built-up areas, with seven-eighths of these characterized as deteriorated or deteriorating predominantly residential slums. As brought out in the tables in the main section of this presentation, most cost factors are considerably lower in the case of predominantly open areas than in the case of built-up areas. Indications are that a proportionately greater number of projects in predominantly open areas are represented in the projects now in the planning stages. This circumstance confirms the observation offered above that the cost relationships developed in this analysis are probably not typical of the relationships that may be anticipated in the future.

The cost estimates for the projects presented in this study reflect the latest approved budgets for project expenditures and the latest approved estimates of the allowed costs of local noncash grants-in-aid. These estimates are the basis for the determination of the amount of the Federal capital grant approved for the projects. Precise cost figures will not, of course, be available until the projects have been completed and the final audits conducted. Aggregate gross and net project costs, Federal capital grants, and local grants-in-aid in the 42 projects are summarized in the following table:

*Summary of gross and net project costs, Federal capital grants, and local grants-in-aid*

	Amount	Percent of gross project cost
Gross project cost	\$214, 188, 768	100. 0
Disposition proceeds	58, 617, 350	27. 4
Net project cost	155, 571, 418	72. 6
Federal capital grant	100, 473, 005	46. 9
Local grants-in-aid	55, 098, 413	25. 7
Cash	21, 076, 143	9. 8
Noncash: Total	34, 022, 270	15. 9
Land donations	3, 154, 089	1. 5
Demolition and clearance work	551, 745	. 3
Site improvements	5, 920, 923	2. 8
Supporting facilities	24, 395, 513	11. 3



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It should be borne in mind that the cost averages presented in this analysis are materially influenced by the nature of the new land uses contemplated by the project redevelopment plans. No attempt has been made to relate net project costs to such proposed new uses, the variety of which is indicated in the following tables:

*Primary new uses of land in project areas*

Primary new uses	Total projects	Original character of project areas		
		Blighted residential	Other blighted built-up areas	Predominantly open
Total projects.....	42	35	5	2
Private residential.....	30	23	5	2
Exclusively.....	3	3		
Predominantly.....	27	20	5	2
Public residential.....	1	1		
Exclusively.....	1	1		
Predominantly.....				
Commercial.....	4	4		
Exclusively.....				
Predominantly.....	4	4		
Industrial.....	6	6		
Exclusively.....	2	2		
Predominantly.....	4	4		
Public.....	1	1		
Exclusively.....				
Predominantly.....	1	1		

*Secondary new uses of land in project areas*

Predominant new use	Secondary land uses				
	Private residential	Public residential	Commercial	Industrial	Public
Total projects.....	1	2	30	5	14
Private residential.....		1	26	2	10
Public residential.....				3	2
Commercial.....			3		2
Industrial.....			1		
Public.....	1	1			

As utilized herein, the term "gross acres" refers to all land lying within the project boundaries and constituting the total project area. The term "original net acres" refers to the same land area minus land in streets, alleys, and other public rights-of-way. The term "net acres to be sold, leased, or retained for redevelopment" reflects all land areas in the project area acquired by purchase or donation plus the area of vacated streets minus the areas dedicated as streets, alleys, and other public rights-of-way. The land areas involved are summarized below:



*Summary of land in project areas*

Size	Gross acres		Original net acres		Net acres to be sold, leased or retained for redevelopment	
	Number of projects	Acres	Number of projects	Acres	Number of projects	Acres
42 projects, total.....	42	1,764.6	42	1,275.4	42	1,242.3
40 built-up project areas, total.....	40	1,391.5	40	994.8	40	1,009.4
Under 10.....	11	64.6	13	69.4	12	62.1
10 to 24.....	12	206.9	13	204.8	14	224.0
25 to 49.....	6	231.8	10	372.2	10	381.8
50 to 99.....	7	422.1	3	236.4	4	341.5
100 to 149.....	4	466.1	1	112.0	0	0
2 predominantly open project areas, total.....	2	373.1	2	280.6	2	232.9
25 to 49.....	1	48.1	1	35.6	1	36.1
150 and over.....	1	325.0	1	245.0	1	196.8

Table 2—presenting average net project costs and Federal capital grants per dwelling unit—takes account of all dwelling units in the project areas. It should be borne in mind that in 7 of the 42 projects dwelling units were present on less than 50 percent of the net land area when the project areas were delineated. In almost every one of the 35 projects qualifying as deteriorated or deteriorating predominantly residential areas, some portion of the net land area was likewise devoted to nonresidential purposes, and in most instances a portion of the land determined to be residential in character was either vacant or devoted to public or semipublic purposes of a residential nature.

TABLE 1.—*Summary of characteristics*

Total number of projects.....	Number 42
Present character :	
Blighted residential.....	35
Other blighted.....	5
Predominantly open.....	2
Estimated number of dwelling units.....	34,564
Estimated substandard dwelling units.....	28,654
Percent substandard.....	83
Estimated number of families.....	33,850
Families eligible for low-rent public housing :	
Number.....	17,167
Percent of total.....	51



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TABLE 1.—*Summary of characteristics—Continued*

Proposed uses (in acres) :	
Total .....	<sup>1</sup> 1,764.6
Public rights-of-way.....	413.9
Residential—private.....	829.2
Residential—public.....	47.7
Commercial.....	174.0
Industrial.....	136.8
Public or semipublic.....	102.4
Proposed dwelling units :	
Total .....	29,072
Private rental.....	18,910
Private sales.....	8,890
Public rental.....	1,272

<sup>1</sup> Distribution of 60.6 acres unavailable.

TABLE 2.—*Net project cost and Federal capital grant per original dwelling unit*

	Net project cost	Federal capital grant
41 projects—arithmetic mean <sup>1</sup> .....	\$4,498	\$2,905
39 built-up project areas—arithmetic mean.....	4,422	2,908
34 deteriorated or deteriorating areas predominantly residential in character:		
a. Arithmetic mean.....	4,050	2,656
b. Rank according to average net project cost and Federal capital grant:		
Eighth project.....	2,439	1,494
Seventeenth project.....	4,250	2,614
Twenty-sixth project.....	6,150	4,085
Thirty-fourth project.....	12,716	8,478
5 other built-up project areas—arithmetic mean.....	8,737	5,825
2 predominantly open projects—arithmetic mean.....	17,911	2,374

<sup>1</sup> Number of dwelling units not available for 1 project.

In general, a dwelling unit represents a group of rooms or a single room occupied, or intended for occupancy, as separate living quarters by a family or other group of persons living together or by a person living alone. Data on dwelling units submitted by a local public agency prior to the approval of the loan and grant application for a project are usually in the form of estimates, to be supplanted by more precise data upon the completion of the family-by-family survey undertaken for purposes of determining the families to be relocated from the project area. Ordinarily, the family-by-family survey is conducted after the loan-grant contract has been executed.

TABLE 3.—*Federal capital grant per dwelling unit provided in predominantly open projects*

	Capital grant per dwelling unit
2 projects—arithmetic mean.....	\$169
Perth Amboy, N. J., Forbesdale project.....	614
San Francisco, Calif., Diamond Heights project.....	133



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

TABLE 4.—Per acre net project cost, Federal capital grant, and local grants-in-aid

	Net project cost		Federal capital grant		Local grants-in-aid	
	Per gross acre	Per net acre to be sold, leased or retained for redevelopment	Per gross acre	Per net acre to be sold, leased or retained for redevelopment	Per gross acre	Per net acre to be sold, leased or retained for redevelopment
42 projects—arithmetic mean.....	\$88, 162	\$133, 825	\$56, 938	\$86, 428	\$31, 224	\$47, 396
40 built-up projects:						
a. Arithmetic mean.....	109, 304	157, 140	71, 874	103, 330	37, 430	53, 811
b. Rank according to average costs:						
Tenth project.....	44, 779	68, 890	29, 161	41, 832	16, 680	25, 415
Twentieth project.....	78, 578	129, 050	52, 385	76, 304	27, 561	45, 550
Thirtieth project.....	168, 249	233, 441	116, 416	191, 129	58, 743	77, 814
Fortieth project.....	1, 268, 469	1, 455, 620	845, 646	970, 414	422, 823	485, 207
2 predominantly open projects—arithmetic mean.....	9, 313	17, 856	1, 234	2, 366	8, 079	15, 490

See note on opposite page.

The net cost of a project is the difference between the gross cost and the sum of (a) the total sales prices of all land sold, and (b) the total capital values (i) imputed to all land leased, or (ii) used as a basis for determining the funds to be transferred to the project by the local public agency as compensation for land retained by it for use in accordance with the redevelopment plan.

The Federal capital grant serves to assist local public agencies to make land in project areas available for redevelopment at its fair value for the uses specified in the project redevelopment plans. Federal capital grants may not be made in connection with a project consisting of open land. The aggregate of capital grants with respect to all the eligible projects of a local public agency may not exceed two-thirds of the aggregate of the net project costs of such projects. With respect to any individual project, the Federal capital grant may not exceed the difference between the net project cost and the local grants-in-aid actually made with respect to the project.

Every contract for a Federal capital grant requires local grants-in-aid in connection with the project which, together with the local grants-in-aid to be provided in connection with all other eligible projects of the local public agency, will be at least equal to one-third of the aggregate net project costs involved. Local grants-in-aid may be provided by a state, municipality, or other public body or entity, in the form of (a) cash, (b) donations at cash value of land (exclusive of streets, alleys, and other public rights-of-way which may be vacated in connection with the project), (c) demolition or removal work, at cost, (d) site improvements in the project area, at cost, and (e) parks, playgrounds, and public buildings and facilities, at their cost, subject to an allowance of an appropriate portion of



such costs where the facility is of benefit both to the project and to other areas.

TABLE 5.—Per acre costs of site improvements

	Per gross acre	Per net acre to be sold, leased, or retained for redevelopment
42 projects—arithmetic mean.....	\$9,061	\$12,870
34 projects with site improvements—arithmetic mean.....	9,684	14,054
32 built-up projects with site improvements:		
a. Arithmetic mean.....	10,023	14,156
b. Rank according to average costs:		
Eighth project.....	2,863	3,004
Sixteenth project.....	6,249	8,365
Twenty-fourth project.....	9,460	14,554
Thirty-second project.....	39,342	55,806
2 predominantly open projects—arithmetic mean.....	8,524	13,655

Site improvements include the installation, construction, or reconstruction of streets, utilities, and other improvements essential to the preparation of sites for uses in accordance with the redevelopment plan.

Included in gross project cost are both (a) actual expenditures by the local public agency for site improvements provided by force account or under contract, and (b) the cost of site improvements in the project area which are to be provided by the locality as local noncash grants-in-aid. Improvements for which the local public body has received or has contracted to receive any grant or subsidy from the United States, or any Federal agency or instrumentality, are not eligible for inclusion under either the gross project cost or the local noncash grants-in-aid of the project.

TABLE 6.—Per acre cost of project supporting facilities

	Per gross acre	Per net acre to be sold, leased, or retained for redevelopment
42 projects—arithmetic mean.....	\$13,825	\$19,637
31 projects with supporting facilities—arithmetic mean.....	15,360	22,067
29 built-up projects with supporting facilities:		
(a) Arithmetic mean.....	18,116	25,229
(b) Rank according to average costs:		
7th project.....	2,400	3,397
14th project.....	13,767	20,080
21st project.....	27,140	37,543
29th project.....	132,441	143,252
2 predominantly open projects—arithmetic mean.....	6,382	10,224

Supporting facilities comprise parks, playgrounds, and other public buildings or facilities (other than low-rent public housing) which are primarily of direct benefit to the project and which are necessary to serve or support the new uses of land in the project area in accordance with the redevelopment plan.



The cost of providing any such facility is included in gross project cost as a local noncash grant-in-aid, except that where it has been determined that a facility is of direct and substantial benefit both to the project and to other areas, only an appropriate portion of the cost is allowed towards gross project cost and local noncash grants-in-aid of the project. Facilities for which a local public body has received or has contracted to receive any grant or subsidy from the United States, or any Federal agency or instrumentality, are not eligible to be included under gross project cost or the local noncash grants-in-aid of the project.

TABLE 7.—Per acre costs of project planning and administration

	Per gross acre	Per original net acre	Per net acre to be sold, leased, or retained for redevelopment
42 projects—arithmetic mean.....	\$6,134	\$8,487	\$8,713
40 built-up projects:			
(a) Arithmetic mean.....	7,226	10,107	9,962
(b) Rank according to average costs:			
10th project.....	4,769	5,946	6,217
20th project.....	7,180	10,402	10,124
30th project.....	12,639	16,260	15,492
40th project.....	58,959	67,658	65,510
2 predominantly open projects—arithmetic mean.....	2,060	2,740	3,301

Project planning "costs" represent the sum of Federal planning advances (preliminary and final) repaid by a project, or alternatively the planning budget(s) approved by the Division where costs incurred were met from non-Federal sources. However, for those projects for which planning activities had been completed before the enactment of the Housing Act of 1949, planning costs are excluded from gross project cost.

Project administration costs represent the sum of the budgeted expenditures for administrative salaries, office furniture and equipment, legal services, and inspection and audit.



## EXHIBIT 9

## FINANCING OF SLUM CLEARANCE AND URBAN REDEVELOPMENT PROJECTS BY LOCAL PUBLIC AGENCIES

With respect to the problem of financing slum clearance and urban redevelopment projects by local public agencies, two aspects must be considered. The first aspect pertains to the financing of the project cost, including the cost of planning, land acquisition, demolition and clearance, site improvements, and land disposition. The second aspect pertains to the financing of cash and noncash local grants-in-aid.

The financing of project costs by local public agencies varies with the type of local public agency which is authorized to undertake slum clearance and urban redevelopment projects. Most of the local public agencies are specially created, separate and distinct public entities with authority to act under their own corporate names. These include housing authorities, redevelopment agencies, land agencies, and other types of special public agencies. These specially created public agencies do not have authority to levy taxes. They usually are authorized to borrow money to finance the cost of such projects and to pledge for the payment of loans the proceeds derived from the disposition of land and other income that may become available to them.

In certain States, cities, and other types of traditionally constituted municipalities and political subdivisions are vested with the power to carry out slum clearance and urban redevelopment projects. This is true in such States as New York, Ohio, Connecticut, Michigan, and Maryland (Baltimore), where municipalities have power to carry out such projects and may levy taxes and issue general obligation bonds, i. e., full faith and credit bonds payable from taxes, to finance the cost of planning, land acquisition, demolition and clearance, site improvements, and land disposition. The political subdivisions in these States, excepting those in the State of New York, may also issue for financing the cost of slum clearance and urban redevelopment projects special obligations payable from the proceeds of land disposition and other project income.

The second aspect involved in financing slum clearance and urban redevelopment projects arises out of the requirements of title I of the Housing Act of 1949, as amended. Local public agencies receiving capital grants under such Federal law are required to provide local grants-in-aid either in the form of cash or noncash. In general, these local grants-in-aid, whether they are in the form of cash or noncash,



can be financed locally only through tax revenues. Since tax receipts are generally inadequate bonds may have to be issued to provide the funds for such local grants-in-aid. These are usually general obligation bonds payable from taxes. Certain revenue-producing facilities, such as water mains, may be financed with revenue bonds which are not payable from taxes.

In financing local grants-in-aid public agencies are usually presented with certain grave difficulties. In the first place, funds for local grants-in-aid must be provided in a period of rising costs of municipal operations. The demands of the people for more and better municipal services, the backlog of needed public works intensified by the wartime scarcity of materials and manpower, school construction needs due to rising school population, inflationary costs, urban decentralization and the loss of middle and upper income groups—these have all contributed to the severity of the fiscal position of municipalities and the rising costs of municipal operations.

Another of the difficulties confronting municipalities in financing local grants-in-aid is the context in which local income can be procured. The terrific burden of Federal taxation and increased State taxes has greatly intensified the problem of levying local taxes upon taxpayers.

Certain legal impediments also contribute to the difficulty of financing local grants-in-aid. In most States constitutional limitations, and in some States statutory limitations, upon the creation of debt by cities are in force. The debt restriction is usually based upon the so-called "debt-to-property" ratio under which the indebtedness of a municipality is limited to a stated percentage of the assessed value of taxable property in the municipality. These percentages vary in the different jurisdictions and may vary with respect to different municipalities and different purposes for which the debt is to be incurred. In a number of States the constitutional debt limit is 5 percent of the assessed valuation of the taxable property. In other States the debt limit may range from 1 to 10 percent or more. The real purpose intended to be served by such limitations upon the incurring of indebtedness by municipalities is the prevention of excessive tax levies.

In addition to debt limitations, many States impose upon municipalities limitations upon tax levies. These tax limitations usually are in the form of a millage, dollar or percentage maximum related to the assessed valuation of the taxable property. Like debt limitations, the limitations upon tax levies vary in different jurisdictions for different types of political subdivisions and for different purposes.



In many States the issuance of general obligation bonds is conditioned upon the prior approval of the voters. This requirement may likewise present an impediment to the financing of local grants-in-aid.

Another legal impediment to financing local grants-in-aid is the limitations upon municipal power respecting the types of taxes that may be levied. Most municipalities have been compelled to meet inflationary costs and expanding needs for essential public services with a rather rigid or inflexible revenue system which confines the municipalities largely to property taxes. More than half the taxes levied by cities are derived from property taxes.

Under the laws of a few States, particularly Ohio, city bonds for slum clearance projects payable from land proceeds and other income may constitute debts of the city if the local grant-in-aid be in the form of cash or donation of land derived from tax revenues. To avoid the creation of an indebtedness the local grants-in-aid must be confined solely to site improvements or public facilities.

The committees of Congress that studied the enactment of Federal aid legislation for slum clearance and urban redevelopment concluded that private and municipal resources alone were inadequate to meet the costs of an effective slum clearance program and that Federal assistance was essential for a practical program. In its report on the bill which ultimately became the Housing Act of 1949, the Senate Committee on Banking and Currency included its conclusions respecting the need for Federal aid and the justification for the sharing of project losses on a 2-to-1 basis. Pertinent excerpts from such Senate report are attached hereto. The Senate Committee concluded that on the basis of the facts "and the findings of previous congressional investigations during the past 5 years, it seems clearly established that only through an effective program of Federal aid can real progress be made in the clearance of slums."

In its report on the proposed Federal legislation the House Committee on Banking and Currency also concluded that Federal assistance for slum clearance and urban redevelopment was essential, stating that "The overwhelming evidence presented to this and other congressional committees is that only through such Federal assistance can substantial progress be made in dealing with this problem." Excerpts from such House Report, containing the committee's conclusions respecting the need for Federal assistance and the justification for the sharing of the net loss on a 2-to-1 basis are attached.

The legislative history of Title I of the Housing Act of 1949 includes some of the evidence upon the basis of which the House and Senate Committees concluded that the financial aid provided by Title I is essential. Selected excerpts from such legislative history, both



pro and con, are attached. In general, it can be fairly deduced from the legislative history that the need for the financial assistance provided under Title I for slum clearance and urban redevelopment was fully supported, particularly by representatives of cities and other municipalities. In one or two instances the testimony was against the extension of Federal assistance and in a few other cases it was indicated by congressional witnesses that a 50-50 sharing formula instead of a 2-to-1 formula should be enacted.

(Excerpts from Senate Report No. 84, 81st Cong., 1st sess., from the Committee on Banking and Currency on Housing Act of 1949, pp. 10-11, 13-15)

#### V. SLUM CLEARANCE AND COMMUNITY DEVELOPMENT AND REDEVELOPMENT NEED FOR FEDERAL AID

\* \* \* The millions of families now living in slums do not live there by choice. They live there from economic necessity arising out of their inability to pay even the lowest rents at which decent housing is available. Correspondingly, the demonstrated failure of private enterprise and local communities in coping with the slum problem does not reflect any lack of community awareness of the seriousness of that problem, but rather is indicative of the inadequacy of private and municipal resources alone to meet the economic costs of effective slum-clearance programs.

The testimony presented during the hearings on the bill, as well as that presented in previous congressional investigations during the past 4 years, makes it clear that the high prices commanded by land in the central areas of cities, even when those areas are blighted or deteriorated, are at the heart of the slum-clearance problem. It emphasizes the necessity for Federal aid if a real start is ever to be made in the solution of this problem.

These high prices for slum land, particularly in relation to the prices at which builders can acquire outlying sites, have effectively barred the purchase and the redevelopment of slum sites by private enterprise on anything but the most piecemeal and sporadic basis. This barrier of high price has been greatly augmented by the difficulties, which for private operators are usually insuperable, of assembling large enough tracts in close-in areas to permit an economical scale of redevelopment operations.

The evidence is also clear that the reuse value of cleared slum land will generally be substantially less than the costs of acquisition, clearance, and preparation for redevelopment, if the land is to be rebuilt at appropriate densities and in accordance with sound redevelopment plans which will prevent the recurrence of slum conditions. Experience has shown that State and local governments lack the financial



resources to absorb the full cost of this necessary write-down in anything like the volume needed for the clearance of any substantial proportion of existing slums. States and cities are increasingly aware of the social costs of slums, of the threat to municipal solvency arising from the spread of slums and from the increasing spread of new building to the outskirts of cities, and of the heavy municipal outlays for city services in slum areas which greatly exceed the tax revenues derived from those areas. Nevertheless, they have lacked the financial resources to undertake more than a few scattered slum-clearance projects under the redevelopment legislation which is now on the statute books of half of the States.

On the basis of these facts, and the findings of previous congressional investigations during the past 5 years, it seems clearly established that only through an effective program of Federal aid can real progress be made in the clearance of slums. This is amply supported by the testimony presented on behalf of the United States Conference of Mayors and the American Municipal Association. Moreover, the testimony presented by the Surgeon General of the United States indicates that there is ample justification for such a Federal program in the light of the serious impact of slum conditions on the lives and development of millions of American families and their children.

\* \* \* \* \*

#### SHARING FORMULA

The bill, in effect, provides that the loss involved in connection with such clearance operations shall be shared on a 2-to-1 basis; the Federal Government making up two-thirds of the loss and the local government making up one-third. Thus the capital grants may not exceed two-thirds of the losses on all clearance projects undertaken in any one locality. The balance of the losses must be borne by the local public agencies either in cash or through contributions other than cash, such as the provision of parks or schools necessary to support the new uses of land in the project area, the construction or relocation of streets and utilities, or the use of municipal labor and equipment to clear a project area.

This 2-to-1 sharing of the net cost of slum clearance projects between the Federal and local governments represents the consensus of informed judgment as to the general ability of cities to contribute to slum-clearance programs, having in mind also the desirability of providing for sufficient write-off of the excessive costs of slum properties to permit the redevelopment of slum areas in accordance with the wisest future uses.

Some witnesses who, while they expressed their opposition to the slum-clearance program as too expensive an undertaking, suggested



as an outside limit of Federal aid a 50-50 sharing basis, your committee felt it unwise to accept any such suggestions, because of the obvious fact that the aid extended must be sufficient not to be self-defeating. If it is inadequate, it would either prevent the initiation of local programs or, by forcing overcrowding of the redeveloped areas, lead to the creation of more slums in the future.

\* \* \* \* \*

LOCAL RESPONSIBILITY

\* \* \* Your committee recognizes that the loan and grant authorization for slum clearance in the bill is modest in relation to the total size of the slum clearance job. Nevertheless, the enactment of the authorization would permit an effective start and would for the first time in the history of the Nation give to slum dwellers, and to American communities as a whole, firm and reasonable expectation for the ultimate solution of a condition which has borne heavily on them for decades.

\* \* \* \* \*

(Excerpts from Senate Report 84, Part 2, Housing Act of 1949—81st Cong., 1st sess., pp. 5-6)

\* \* \* \* \*

SECTION 104. REQUIREMENTS FOR LOCAL GRANTS-IN-AID

This section requires the locality to share the net losses of any project assisted by Federal capital grants under this title and to call upon the Federal Government for aid only to the extent necessary. It provides that the local community must itself participate financially to the extent of at least one-third of the net project cost, as defined in this title. Such local assistance may be in the form of (1) cash grants, (2) donations of land, demolition or removal work, or site improvements in the project area, or (3) the provision of parks, playgrounds and public buildings or facilities which are of direct or substantial benefit to the project. Where a locality undertakes more than one project on which Federal capital grants are to be made, this requirement relates to such projects considered in the aggregate.

The definition of local grants-in-aid in section 110 (d) makes it clear that the local community may not count as local grants-in-aid (1) the value of any land in streets, alleys, and other public rights-of-way which may be vacated in connection with the project, (2) any low-rent public housing, or (3) any demolition or removal work, improvement or facility for which any grant or subsidy is to be made by the United States or any agency or instrumentality thereof. If any of the public improvements or facilities provided are charged to specific property owners by way of special assessments, the portion of the amount so



charged would not be eligible for inclusion as a local grant-in-aid. Local public buildings or facilities, otherwise eligible as local grants-in-aid, remain eligible in the event they should be assisted by temporary loans under section 102 (b).

\* \* \* \* \*

(Excerpts from H. Rept. No. 590, 81st Cong., 1st sess., on Housing Act of 1949, pp. 13-14)

## V. SLUM CLEARANCE AND COMMUNITY DEVELOPMENT AND REDEVELOPMENT

### NEED FOR A SLUM-CLEARANCE PROGRAM

The provisions of this title offer, for the first time, a greatly desired, but long-delayed, program to eliminate the Nation's slums. Today about one-fifth of our city families live in slums and blighted areas. They obviously do not live there by choice. They live there primarily because only in the slums can they find any sort of housing accommodations at prices and rents which they can afford to pay.

From city after city throughout the country has come evidence of the extravagant wastes of human and other resources arising from slum conditions. Slums and blighted areas foster delinquency, disease, and crime, the effects of which can only be partly measured in the statistics available to your committee. They create demands for welfare, fire, police, and other financial outlays greatly in excess of the revenues which cities receive from them.

Communities have long been aware of the social and economic costs of these areas but have been unable to take effective steps toward their eradication because of their inadequate resources. A few, like Baltimore, have attempted to alleviate these conditions through the exercise of local police power in requiring the compulsory repair or closing of substandard housing. Such efforts frequently have been credited with offering an adequate solution to the problem. While your committee believes that all cities should utilize effectively police powers to mitigate some of the worst effects of slums and to help prevent their spread, it is convinced, from the overwhelming evidence presented by mayors and from many others, that this method alone will eliminate neither the slums nor the conditions which they create. The committee was impressed by the testimony of the mayor of Baltimore as to the limitations of law enforcement as a solution to the slum problem. He stated:

The Baltimore plan might be compared to first aid administered in the temporary absence of a doctor, which would not be necessary if the doctor were present to begin with, and which in no way eliminates the eventual need for the doctor's services.



Your committee is convinced that the only way by which slums may be effectively eliminated is by the public acquisition and clearance of slum areas and by assuring that they will be redeveloped in accordance with sound plans as to land uses, density, and other factors contributing to good neighborhoods, and be properly related to the growth and development of the city as a whole.

Because of their present intensive use, the prices which must be paid for slum and blighted areas, together with the costs of clearing and preparing them for reuse, will generally exceed the return which will be realized from sale or lease of the land for appropriate redevelopment.

These are the costs which prevent slum clearance from being a profitable venture for private enterprise. These are the costs which, together with the large capital outlays required, have prevented the local communities, with very few and limited exceptions, from moving ahead with this task within their own limited resources.

The objective of the programs contained in Title I of this bill is to provide the necessary financial assistance that will enable local communities to make an effective start toward eradicating the slums. The overwhelming evidence presented to this and other congressional committees is that only through such Federal assistance can substantial progress be made in dealing with this problem.

It is in the national interest that no further delays in starting an effective attack on the slum problem should be countenanced. Slum clearance is a time-consuming process and any further postponement of the already long-delayed start in meeting this problem would merely set back for a further indefinite period any hope for progress toward its ultimate solution.

\* \* \* \* \*

The net loss involved in this slum-clearance operation would be shared by the Federal Government and the local community on a 2-to-1 basis. Thus, the Federal grants may not exceed two-thirds of the losses on all clearance projects undertaken in any one locality. The balance of the losses must be borne by the local public agencies either in cash or through contributions other than cash, such as the provision of parks or schools necessary to support the new uses of the land, the construction or relocation of streets and utilities or the use of municipal labor and equipment for the clearance operation.

Evidence before your committee indicates that a substantial write-off of excessive costs will be necessary if redevelopment of the slum areas is to be in accordance with the appropriate uses. In the light of the best informed judgment as to the ability of the cities to contribute to slum-clearance programs, therefore, your committee is con-



vinced that the 2-to-1 sharing formula is necessary if the purpose of the program are to be achieved. It is obvious that the aid extended must be sufficient if the program is not to be self-defeating. If it is inadequate, it would either prevent the initiation of local slum-clearance projects or, by forcing the overbuilding of the redeveloped areas, make them susceptible to deterioration into slums again in the future.

The evidence presented to your committee on behalf of the United States Conference of Mayors and by other city officials, as well as the findings of previous congressional investigations of this matter, afford convincing evidence that any change in this sharing formula to require larger contributions by the cities would severely restrict or defeat the basic objective of this program.

\* \* \* \* \*

(Excerpts from the Congressional Record, April 19, 1949, pp. 4670-4673; 4699, 4700)

Mr. Maybank. \* \* \* Experience has shown conclusively that real progress in slum clearance is beyond the resources of private enterprise and of State and local government unless the Federal Government lends it assistance.

\* \* \* \* \*

\* \* \* Sixty percent of the population of our country live in urban areas today, and we the mayors of the American cities deplore the slums and the housing situation, but financially we can do nothing without the passage of the housing and slum bill now before our Senate, and may I urge you as our executive director to let our Senators and Representatives know we will appreciate deeply their efforts to eliminate this cancerous growth on our American way of life.

W. COOPER GREEN,  
*President, United States Conference of Mayors,  
Mayor of Birmingham, Ala.*

\* \* \* \* \*

\* \* \* For private housing developments the urban redevelopment sections of the bill are vital to restore solvency of American cities. Blighted areas must be cleared and rebuilt. We in Pennsylvania are combining State and city action for this purpose, depending on Federal aid to complement our program. I am sure that every public official in the city administration joins me in urging prompt congressional approval of Senate 1070.

DAVID L. LAWRENCE,  
*Mayor, City of Pittsburgh, Vice President,  
the United States Conference of Mayors.*

\* \* \* \* \*

\* \* \* New York City recommends approval of the slum-clearance provision now in the Senate bill. Large areas of slums in New York City need clearance and redevelopment. The bill would permit a large amount of such work which could not be done without Federal assistance. \* \* \*

WILLIAM O'DWYER,  
*Mayor of New York City.*



PHILADELPHIA, Pa., April 12, 1949.

HON. PAUL V. BETTERS,

*United State Conference of Mayors:*

The city of Philadelphia is doing everything humanly possible to recreate here the best possible environment for living and working. Because of financial limitations, it will be necessary to have the assistance of the Federal Government if we are to achieve our high goal of civic improvement.

In the program of redevelopment of old areas, Federal assistance will be necessary in helping to meet the cost. \* \* \*

BERNARD SAMUEL,  
*Mayor of Philadelphia.*

\* \* \* Slum clearance program essential to preserve city's tax base. City plan commission has designated 2,520 acres in need redevelopment. Present annual average tax revenue \$864 per acre. If privately redeveloped would yield \$2,304. Increase would pay city's third net project cost in 10 years. Public housing 10 percent shelter rent in lieu would amount to \$700 per acre. Redevelopment 80 percent private, 20 percent public housing, would pay city's share costs in 12 years. Data juvenile delinquency, health, fire costs, and so forth, and more detailed data of above summary air-mailed to you today.

Mayor Eugene I. Van Antwerp,  
[S] JAMES H. INGLIS,  
*Detroit Housing Commission.*

\* \* \* Redevelopment areas expensive to acquire and clear. City will need Federal loans and capital rent subsidies to enable private enterprise to rebuild in blighted areas. San Francisco's planning and housing association, citizen's group 1947, compared same size good and bad neighborhoods. Studies showed the following: Bad neighborhood, 100 juvenile delinquents; 762 public welfare cases; 4,771 adult arrests. Good neighborhood, 17 juvenile delinquents; 38 public welfare cases, 39 adult arrests. Bad neighborhood had twice the fires, 36 times as many tuberculosis cases; 66 times as many city hospital cases; 3 times as many babies died. Municipal services in bad neighborhood cost \$750,000; in good neighborhood \$86,000. Tax revenues from bad neighborhood, were \$370,000; in good neighborhood, \$543,000. Bad neighborhood is in area designated for redevelopment. Yesterday, April 11, 1949, San Francisco Board of Supervisors passed resolution endorsing S. 1070, Housing Act of 1949.

ELMER E. ROBINSON,  
*Mayor of San Francisco.*

\* \* \* However, slum clearance cannot be effected without appropriate plans in hand for the establishment of low-rent housing units in the area cleared. Such a program of clearance and of redevelopment is hamstrung in Minneapolis by the lack of Federal funds. \* \* \*

ERIC G. HOYER,  
*Mayor.*

Mr. ELLENDER. \* \* \* Public action is necessary if the slums are to be cleared. The clearance of slums and the preparation of sites for the right kind of redevelopment is a deficit operation that private



enterprise obviously is unwilling to undertake. It is a job of such proportions that the local communities cannot tackle it effectively alone. Yet, if we allow the slums to persist, we shall be continuing a huge deficit in our national life—a deficit in human values as more generations of children are brought up under conditions that breed misery, delinquency, and disease, a deficit in monetary values as our communities bear the costs of municipal services which these conditions make necessary. It is, therefore, essential that the Federal Government provide the kind of assistance made available in S. 1070 for the clearance of slums. \* \* \*

**QUESTION.** What justification is there for Federal financial assistance to communities for slum clearance? Why cannot the localities and States handle this problem themselves without Federal aid?

**ANSWER.** The continued use of well over 5,000,000 slum dwellings and other substandard housing raises issues of national importance from the standpoint of the health and morals of millions of families and millions of children who will represent a substantial percentage of our citizenry in the coming generation. These slums and blighted areas have existed and have spread for generations, and experience has shown that they will continue to exist and to spread unless Federal financial aid is made available for their clearance.

The heart of the slum-clearance problem is the high price commanded by land in the central areas of cities, even when those areas are blighted or deteriorated, and the necessity for a substantial write-off of that price if slum areas are to be redeveloped on a sound basis which will prevent the recurrence of slum conditions.

States and cities are increasingly aware of the social costs of slums, of the threat to municipal solvency arising from the spread of slums and from the increasing spread of new building to the outskirts of cities, and of the heavy municipal outlays for city services in slum areas which greatly exceed the tax revenues derived from those areas. Nevertheless, they have lacked the financial resources to undertake more than a few scattered slum-clearance projects under the redevelopment legislation which is now on the statute books of half of the States. This, in turn, reflects the basic limitations on the sources of revenue for both State and local governments and the mounting costs of established public services. \* \* \*

(Excerpts from the Congressional Record, April 14, 1949)

**MR. MAYBANK.** \* \* \*

\* \* \* More than one-third our dwelling units constructed before 1900. City plan commission estimates that our slum and blighted districts cost city \$4,000,000 a year. This figure represents difference in cost of various municipal services and tax yield from such district. From both humanitarian and economic viewpoint slums are bad business. Respectfully refer you to my testimony before Joint



Congressional Committee on Housing, October 24, 1947. What I said then is just as true today.

(p. 4815)

ALOYS P. KAUFMANN,  
*Mayor of St. Louis.*

\* \* \* \* \*  
\* \* \* The slum areas are a disgrace to the city, and in many cases are a health and social menace. We have over 4,000 units before the war that were unfit for human habitation. These units have been increased in number, bringing practically no revenue by way of taxation, and costing our city a substantial amount of money to maintain. We can see no way of correcting this situation, other than through the enactment of a slum-clearance program by our Congress. \* \* \*

(p. 4816)

EDWARD K. DELANEY,  
*Mayor. [St. Paul, Minn.]*

\* \* \* \* \*  
Mr. DOUGLAS. Mr. President, but I suppose the objectors will argue that while this may be a community concern, it should be tackled by the cities and States, but not by our National Government. The truth of the matter, however, is that our cities and local governments are more or less broke and simply do not have the income to shoulder either all or a major part of the load. They get their revenues in the main from real estate which is paying about all that it can. They have about reached the limit of their bonded indebtedness. If the slums are to be cleared, therefore, the Federal Government will have to do the main part of the job, although the cities should, of course, help as they are required to under the provisions of this bill. \* \* \*

(p. 4820)

APRIL 20, 1949.

Mr. BRICKER. \* \* \* On the floor of the Senate great stress has been placed on the need for slum elimination. No one disagrees with the motive of those who desire to eliminate the slums in metropolitan areas. Certainly I do not differ with the purpose of the section of the bill which seeks to encourage the elimination of city slums. There has been a great deal of overemphasis placed upon that aspect of the bill heretofore, both in the committee and on the floor of the Senate, the hope being that emphasis upon title I of the bill will carry along the other titles with which many of us do not agree. \* \* \* (p. 4886)

Mr. BRICKER. \* \* \* I for one am not in favor of the Federal Government encouraging such an attitude on the part of local public officials. I think that sooner or later, if the slum condition is ever to be eliminated in the metropolitan areas, it must be because the local authorities assume their full responsibility. For the reason that this bill does put that responsibility upon the local communities to a large degree, even though Federal contributions and grants are made to local area authorities, I shall support title I, if it is possible to do so, separate from some of the other provisions of the bill. It will be an impetus, it will be an encouragement to local governments to do the



job which they heretofore should have done on their own responsibility.

In considering the problem I recognize full well that the financial situation of many of the cities is very bad. Likewise in some of the States the financial situation is not good at the present time. But most of the States of the country are solvent. Many of them have no debts at all. And certainly the city governments are in a better financial position today to assume this responsibility than is the Federal Government which we directly represent in the Congress of the United States. They have no debts, either singly or in the overall collective situation, comparable to the debt owed by the Federal Government. They have the resources from which to draw to eliminate local slum conditions. Many communities have assumed that responsibility. Such communities stand out as exemplifications of good local government, and should afford encouragement to other communities. \* \* \* (p. 4886)

APRIL 21, 1949.

Mr. TAFT. Title I, dealing with urban redevelopment, as I read it, authorizes \$1,000,000,000 in loans and \$500,000,000 in grants. The \$1,000,000,000 should be paid back, I should think, in all cases, within 5 years from the time it is loaned. So I should say that the net cost to the Government would be \$500,000,000, so far as the program goes. As a matter of fact, I think it should be recognized that if the program is a success—and it is an experiment; I do not know how this plan of cities buying up property and redeveloping will work—the \$500,000,000 will not go very far, but we can see, after we get through, whether it has apparently been worth while or not. That ends that obligation so far as title I is concerned. \* \* \* (p. 4930)

\* \* \* Let us say a city buys a considerable amount of property. The Government gives it the money with which to buy that property. Then the city turns around and sells that property. The city may sell the property to itself, or it may sell the property to the county, or the school district or to private parties. Then the city pays the proceeds back to the Government. But the Government, in this total program, permits the retention of \$500,000,000 of what has been paid out by the Government. The municipalities which have purchased such properties will probably not sell the properties for more than \$500,000,000. They pay the Government back what they get out of it. The Government is financing a turn-over operation, and the Government says it will pay two-thirds of the net cost of that operation, not to exceed altogether \$500,000,000. (p. 4930)



(Excerpts from Congressional Record, May 27, 1949, pp. 7076-77)

RESOLUTIONS OF EASTERN COLLEGE YOUNG REPUBLICAN POLICY  
CONFERENCE

Mr. SCHOEPEL. Mr. President, I ask unanimous consent to have printed in the body of the Record resolutions adopted by the Eastern College Young Republican Policy Conference, at Yale University, New Haven, Conn., April 30-May 1, 1949. \* \* \*

\* \* \* Therefore, we urge that the actual slum-clearance programs be initiated by local communities, who shall have the option of doing the job themselves or hiring private contractors to do the job for them.

Since, however, local communities rarely have the resources to undertake projects of this sort, we urge that the Federal Government issue them loans and grants for this purpose. \* \* \*

(Excerpts from Congressional Record, June 22, 1949, pp. 8295-6)

Mr. MARTIN of Massachusetts. \* \* \* We all have a natural concern for clearance of the slums in the big cities of our country. They are manaces and a threat to our national health. These slums should and must be cleaned up. And the Federal Government will be obliged to aid or else the job will not be done. Communities are reluctant to clean up their own messes. Yet they must not be allowed to step out of an obligation which primarily belongs to them. After all, slums are man made. They occur chiefly because of a laxity on the part of city authorities. Landlords are permitted to exact rentals from the poor people and then are not obliged to keep up their property. Here is where should come the first step in the needed reform. Cities should be required through ordinances similar to those in Baltimore to take the initial step in slum clearance. It is remarkable how much can be done. Old, unsightly buildings can be repaired, renovated, and remodeled. They could be made in some instances better than new homes. One need only point to what has been accomplished in Georgetown in the Nation's Capital. The job can and must be done, but it can only be effective through the driving force of local public opinion.

There is another side of the slum-clearance picture, too, we must consider. How enormous will be the job? We should know the whole story before departing upon a venture that could be overwhelming.

I am afraid from my own observations that some of the veterans' housing that has been constructed under Government supervision will



last only a short time. A few years hence there well may be suburban slums that we will be asked and with direct obligations to clean up because we put them there. The whole problem is one that must be thought through.

JUNE 24, 1949.

Mr. SPENCE. \* \* \* How are you going to get rid of the slums except by Federal contribution? There is no way in the world to do it. \* \* \* It is said that we should put the slum-clearance matter back on the cities. But the cities cannot do it. I have represented three or four cities in my time. I know the limitations of the cities. They are the creatures of the State. They are organized by the State, their charters are granted by the State, and they are limited in their activities under the State constitution. For instance, in the State of Kentucky a municipality is limited in its tax rate, it is limited in its indebtedness, it is limited in its expenditures. In every other State in the Union I think you will find similar provisions. If we put this back on the cities we will have no slum clearance.

Let us look this matter in the face. You have either got to proceed in the way provided by the bill or you have got to let the slums continue, you have got to let men who have no houses remain without homes or with their in-laws and their relatives. \* \* \*

STATEMENT OF HON. WILLIAM O'DWYER, MAYOR OF THE CITY OF NEW YORK, PRESENTED BY GEN. THOMAS F. FARRELL, CHAIRMAN OF THE NEW YORK HOUSING AUTHORITY

(Excerpts from House Hearings on Housing Act of 1949, May 6, 1949, pp. 522, 523 and 527)

\* \* \* \* \*  
 [General FARRELL] "The provisions for slum clearance redevelopment are satisfactory. They provide an excellent opportunity for extensive redevelopment, largely by private enterprise, of worn-out sections of our city.

Without the Federal aid provided by the housing bill, there is little hope of clearing the slums and providing homes for low-income veterans in any of our major cities. The costly job cannot be done by private builders at present costs.

\* \* \* \* \*  
 Mr. MULTER. General Farrell, the question has been raised here as to whether or not the cities and States can carry on the slum-clearance and public housing program on their own. Am I right in saying that Governor Dewey, who is recognized in our State as the outstanding Republican of the State, and Mayor O'Dwyer, who is certainly a leading Democrat of the State, are both in agreement that neither our city nor our State can carry on this job without Federal aid?

General FARRELL. I think that is right, Mr. Multer. New York State has contributed largely to the program. We are now in New York City carrying out programs either under way or which will be under way, which will total some \$360,000,000, with State aid.



## APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

The State legislature this year has passed an additional \$300,000,000 authorization which will be voted on this fall. New York City will get out of that some \$250,000,000, making a total of about \$600,000,000 of State funds, largely after the war, in New York City for housing.

New York City itself has gone to the full amount of its debt limit in its own programs and in supporting the State program, to a total of \$328,000,000. That is the ultimate of its constitutional authority to aid housing.

Still, with those programs, there remains a vast amount of old housing, and there is a great shortage of housing for people in the low-income bracket. So I think the answer is that without Federal help the program will be insoluble for a long time.

\* \* \* \* \*  
Mr. COLE. Do you envision the complete elimination of all the slums on Manhattan Island?

General FARRELL. No, sir; not for a long time. I envision the elimination of the worst of them, with this program, the State's program, and the city's program, over the next 10 years. But there are 400,000 old tenements in the city of New York. Some have been improved, but it is going to take a long time to get rid of them all.

Mr. COLE. I think that from what I know of your program, New York City and State have been doing a very fine job. I think some of the other cities in the country could well take note of your municipality's operation, because I do believe you are attempting to do what you can, within your limitations, locally. I do want to comment, however, on your statement about the total authorized limit. There may be some question of how far you should extend that authorization, or the restriction, on levies for public housing. I do not know how far you can go.

\* \* \* \* \*  
**STATEMENT OF HON. THOMAS D'ALESSANDRO, JR., MAYOR OF  
BALTIMORE CITY AND CHAIRMAN OF THE STANDING COMMITTEE  
ON LEGISLATION**

(Excerpts From House Hearings on Housing Act of 1949, pp. 536-537)

\* \* \* \* \*  
Mayor D'ALESSANDRO. It has been said that housing and slum clearance are local problems and should be handled directly by the cities and States without Federal assistance. I am not going to debate the theoretical merits of this question, but I will say that without Federal assistance nothing effective will be done, except in a few of the wealthier States. The areas which have the worst housing needs are those which are least able to help themselves. The problem is one of the most urgent domestic issues confronting the country. For the Federal Government to turn the whole matter back to the States and cities would represent an indefensible neglect of its proper responsibility for the national welfare.

I have so far spoken mainly about public housing, because it has caused more controversy than any other aspect of the proposed legislation being considered by this committee. I do not, however, want to overlook two other items included in this bill or in other pending legislation: redevelopment and middle-income housing.

My support for public housing is not inconsistent with my belief that private enterprise should be encouraged and assisted to handle as much of the housing and slum-clearance problem as it can. Private enterprise has not heretofore been able to operate in slum areas because of the high cost of existing properties



and the difficulties involved in assembling an area sufficiently large to be usable. Redevelopment, as proposed in Title I of H. R. 4009, provides a formula to overcome these difficulties. Use of this formula should enable private enterprise to assume a portion of the job of slum clearance.

The necessity for Federal assistance to redevelopment is illustrated by our experience in Baltimore. The Baltimore Redevelopment Commission was one of the first to be created in the country. Eight official redevelopment areas have been established, covering a total of about 400 acres. These areas represent only a portion of our total slum areas. Last November the city overwhelmingly approved a \$5,000,000 bond issue for redevelopment purposes. This is the most that the city can afford, and yet it will serve to treat only one—or, at most, two—of the eight areas. H. R. 4009, if adopted, will, in effect, triple our resources and enable us to use private enterprise in tackling a real job of slum clearance.

\* \* \* \* \*

STATEMENT OF CARL H. CHATTERS, EXECUTIVE DIRECTOR,  
AMERICAN MUNICIPAL ASSOCIATION

(Excerpts From House Hearings on Housing Act of 1949, pp. 673-674)

\* \* \* \* \*

In Title I (slum clearance) Federal loans are provided (sec. 102) to finance surveys and plans in preparation of projects, to provide working capital for undertaking projects, and to finance, on reasonable terms, the redeveloped land leased by cities \* \* \* the provisions of section 102 are necessary to make the program really work.

Federal grants for slum clearance and redevelopment on the basis of 1 local dollar to 2 Federal dollars are provided by section 103, of Title I. The amount and the nature of the local contribution are important considerations. I think it is fair to say that one-third of the net project cost is all that cities can bear. It is very important that a city be permitted to count, towards its contribution, the cost of the schools, parks, utilities, sewers, and other public facilities related to these projects. These public facilities may be a very substantial portion of the total cost of acquiring, clearing, and assembling land, and preparing it for redevelopment. The work which must be done by the city will involve redesign of street areas which in turn will require new pavements, sewers, water mains, and other facilities. New schools may be needed as well. Since all these new facilities may be the largest part of the net project cost they should surely be counted as part of the city's contribution to the project. This point of view is further supported by the fact that one deterrent to present private housing is the inability of many communities to finance the extension of sewers, water mains, streets, and sidewalks into new areas.

To the extent that public housing replaces slums or other undesirable areas, the cities will get no added taxable value. Therefore the cities will get no increase in their borrowing capacity. Their revenues would come only from the payments in lieu of taxes of 10 percent provided in section 205 (h) of the bill.

For all these reasons the Federal grant appears necessary as a stimulant and as a direct aid. The justification for considering the city's investment in new facilities as part of the project cost seems clear. Unless these facts are recognized then many cities—perhaps those with the greatest need—could make no use of this program.



## APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

(Excerpts From Congressional Record—June 28, 1949, p. A-4320)

\* \* \* You object to the extent to which cities and States are depending upon the Federal Government for various forms of assistance. As a purely theoretical concept I can agree with your objection but a reduction in the present levels of Federal assistance must depend upon some reapportionment of tax sources. Until some such reapportionment has taken place the only practical approach to the problem is that provided in the present bill. I see no point in postponing action now while our slums continue to rot. This is no time to debate academic abstractions.

My support for the housing bill is based upon the fact that it is the result of long and exhaustive study over many years by competent committees of the Congress and upon my conviction that it represents the best possible method presently available for solving one of our greatest domestic problems. I can only regard your opposition to the bill as a disservice to Baltimore city and to the welfare of the entire country.

Sincerely,

THOMAS D'ALESSANDRO, Jr.,  
*Mayor of Baltimore, Md.*

### STATEMENT OF CALVIN K. SNYDER, SECRETARY OF THE REALTORS' WASHINGTON COMMITTEE OF THE NATIONAL ASSOCIATION OF REAL ESTATE BOARDS

(Excerpts From Senate Hearings on General Housing Legislation, February 1949, p. 414)

\* \* \* Slum clearance has to be done in cooperation with Government and industry. It is a problem too big for any one community to develop, because you have those problems which include the right of eminent domain to get that property, to raze it, and then to clear it and to resell it for what best use it has. Perhaps that land isn't even good for housing, as you found in Charleston, where some of that land wasn't even good for housing and you wanted to use it for another purpose.

That is good slum clearance, good planning, and that is what should be provided here, but not to go into a development, if you want to call it a slum clearance, of open suburban land.

That is our point of discussion and our point of disagreement.

Senator DOUGLAS. Then you do not oppose the clearance of slums as such?

Mr. SNYDER. With cooperation between the States and the Federal Government, no.

Senator DOUGLAS. Do you favor Federal subsidies for those purposes?

Mr. SNYDER. Not subsidies, but a grant-in-aid type of proposal where the State and Federal Government get together and work out a State redevelopment project, and the State and local communities do the job.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

The State and local community can do that job if it has the help of the Federal Government, but the Federal Government cannot run it from Washington.

Senator DOUGLAS. You want to put up the money and not protect it?

Mr. SNYDER. Not all the money.

Senator DOUGLAS. But put up a large portion of the money?

Mr. SNYDER. Right here it is putting up two-thirds of it. A matching piece would be 50-50.

\* \* \* \* \*

STATEMENT OF RODNEY M. LOCKWOOD, FIRST VICE PRESIDENT,  
NATIONAL ASSOCIATION OF HOME BUILDERS

(Excerpt From Senate Hearings on General Housing Legislation, February 1949,  
p. 536)

\* \* \* \* \*

The type of language appearing on page 3, lines 3-11, and elsewhere in this bill would encourage local governments to plead poverty and inability to handle their own problems in order to "qualify" for what we must term a Federal tax dole. This is unsound, since it discourages local governments from exercising their own powers in order to cure their own slum conditions which are a product of their failure to use police powers inherent in their own government structures. \* \* \*

STATEMENT OF THOMAS S. HOLDEN, COMMERCE AND INDUSTRY  
ASSOCIATION OF NEW YORK, INC., PRESENTED BY RALPH BROOKS

(Excerpts From Senate Hearings on General Housing Legislation, February 1949,  
pp. 689-690)

\* \* \* \* \*

Federal subsidies for slum clearance should be vigorously opposed on several grounds. They invade the proper sphere of State and local responsibility; they encourage extravagance and waste, as well as subservience of local governments to the party currently in power nationally; they are apt to cost the taxpayers of a given locality many more dollars in Federal taxes than the dollars of benefits allocated to their community.

\* \* \* \* \*

An impartial expert study of the credit requirements of State and local governments might reveal that there is need for creating some sort of banking facility for State and local governments, perhaps some RFC-type or Export-Import Bank-type of institution, if needed facilities cannot be provided by private finance. Experience in fi-



nancing State and local public works during the depression emergency suggests that there may be such a need.

Proper study should indicate whether there is such a need, not necessarily for a slum-clearing revolving loan fund but for any foreseeable legitimate credit needs, and what kind of institution would best take care of it. The kind of debt-creating and lending authority which would be granted to the Housing and Home Finance Administrator under title I would be an unsound way to meet this need, if, indeed, it actually exists.

\* \* \* \* \*

STATEMENT BY VINCENT J. MURPHY, MAYOR OF THE CITY OF  
NEWARK, N. J.

(Excerpts From Senate Hearings on General Housing Legislation, February 1949—pp. 798, 800, and 801)

\* \* \* \* \*

But entirely aside from the moral point of view, our failure to eliminate the slums and provide decent low-cost housing is a criminal economic waste as well.

Private enterprise, in the final analysis, pays the tax bill for our Government whether that Government be national, State, urban, or rural. Private enterprise, therefore, is paying millions of dollars a year to continue the slum conditions and the attendant vice, crime, and disease. It is paying far more than it would cost to remove these conditions and create the satisfactory living conditions that would make our American working people comfortable. \* \* \*

With our limited tax base and capacity for the issuance of bonds, we cannot engage in this vast project without your help. If you will give us, and all American cities, a substantial start, our ultimate savings will enable us to finish the job. There is only one possible solution—action at the Federal level for the good of all of the people of the United States. \* \* \*

We have a problem. A year ago we passed a Redevelopment Act in the State of New Jersey. That act passed the right of the municipalities to participate in private enterprise in the clearing of slum areas. The Prudential Insurance Co., which is a very large insurance company in America, was unable, even with the contribution by the city, of purchasing the land. As their part in participating in eliminating the slums, they were unable to bring the costs per room down below \$20. With that kind of a condition it is just utterly impossible to go ahead with any elimination of slums in the city of Newark. \* \* \*



## STATEMENT OF ALDERMAN ALFRED C. HASS, FIRST WARD, CITY OF MILWAUKEE, CHAIRMAN, COMMON COUNCIL COMMITTEE ON HOUSING, HARBOR, BRIDGES, PUBLIC PROPERTY

(Excerpts from Senate Hearings on General Housing Legislation, February 1949—p. 807)

As an alderman and as chairman of the housing committee of the Common Council of the city of Milwaukee, I am prepared to attest to the fact that few problems, if any, have ever given greater concern to the community than have housing and blight elimination. Within its means and financial ability, the city of Milwaukee has shouldered the responsibility of helping itself and is prepared to continue to do so in the sincere hope that the Federal Government also will recognize the problems that exist so that a joint and concerted effort may be made in the application of the necessary remedies.

The city of Milwaukee, like all older urban communities, is confronted with the problem of dealing effectively with the decay of its residential areas, commonly spoken of as blighted. It is generally recognized that blight spreads from dwelling to dwelling, from block to block and finally from neighborhood to neighborhood. It eventually destroys not only the best in property values but equally much of the best in human values. Blight is the result of a lack of vision and of neglect. The evidences of blight in practically every older section of the city are so abundant as to become a matter of common knowledge.

In attempting to cope with our own problem in Milwaukee, we have recognized that two methods of approach must be taken. The first is to stop the growth of blight by the application of regulatory ordinances in such areas where the problem is particularly severe. The second approach is that of reclamation by demolition and redevelopment of such areas where ordinance enforcement is of little use. It is for the accomplishment of the latter that the city of Milwaukee is prepared to issue \$2,500,000 in general obligation bonds, and which, to have any far-reaching effect, must be matched by funds other than the city is able to provide. It is for this reason among others that I urge the passage of bill S. 138 to make possible the use of Federal funds to assist communities which like Milwaukee are prepared to assume their share of the cost of rehabilitating their blighted areas.

Deteriorating neighborhoods represent declining taxable values. Declining taxable values, however, do not imply a declining cost of municipal services in such areas. On the contrary, cost of schools, fire and police protection, health protection and other municipal services and facilities must be extended to such areas at a cost which is entirely out of proportion with the tax revenues derived therefrom.



It is my opinion that we have already too long deferred facing this problem and recognizing it for what it is; namely, a continuing drain of public funds in the subsidizing, not of decent sanitary housing, but of run-down substandard and unsafe housing as well as neighborhoods.

\* \* \* \* \*

EXHIBIT III  
A STATEMENT ON PROBLEMS AND CAPACITIES IN LOCAL FINANCING  
OF SLUM CLEARANCE

The attached statistical summary of a sampling of cities now engaged in slum clearance under Title I financial assistance reports a distribution based upon both size and geographical location. The sample covers 14 cities with populations ranging from 102,000 to 1.9 million in which 25 Title I projects are now (September 30, 1953) under contract with aggregate net project costs estimated at \$133 million. On the average, these projects will clear only 0.5 percent of all the dwelling units in the 14 cities reported. Substandard by the 1940 census. In only 3 cities will their first Title I projects make substantial progress in attacking the problem. Norfolk is clearing 20 percent of its 1940 total of substandard units. San Francisco is percent and St. Paul 8 percent.

In using the attached statistics for individual cities, it is well to bear in mind a number of limiting factors which should enter into any judgment as to the capacity of a community to finance the loss inherent in almost any slum clearance project.

Substantial percentages of a city's revenue must be devoted to debt service, police and fire protection, sanitation and water supply, to mention a few. Other portions are earmarked for education, pensions, welfare relief and so on. The tremendous growth in motor traffic has touched off fierce competition for funds with which to finance costly highway improvements. Many of our cities are presently hard on debt ceilings. Many more must function under limited taxing power particularly when, as is so frequently the case, the limit is on taxes for operation. However, the balance may be increased by borrowing. Apart from the foregoing, the cost of nearly every kind of city service has risen much faster than municipal tax revenue sources could respond. And there is the further limitation imposed by the States upon available sources of taxation, and various limitations on the

This space becomes more striking when it is realized that for all local governments property tax revenues is only 30 percent greater than



## EXHIBIT 10

A STATEMENT ON PROBLEMS AND CAPACITIES IN LOCAL FINANCING  
OF SLUM CLEARANCE

Time and the cost would not permit the accumulation of fiscal statistics covering the entire country. It has been decided, therefore, to give examples using cities actually engaged in slum clearance and with varying populations, financial resources and location around the country. The attached statistical summaries of a sampling of cities now engaged in slum clearance under Title I financial assistance represent a distribution based upon both size and geographical location.

The sample covers 14 cities with populations ranging from 102,000 to 7.9 million in which 28 Title I projects are now (September 30, 1953) under contract with aggregate net project costs estimated at \$139 million. On the average, these projects will clear only 3.3 percent of all the dwelling units in the 14 cities reported substandard by the 1940 census. In only 3 cities will these first Title I projects make substantial progress in attacking the problem. Norfolk is clearing 20 percent of its 1940 total of substandard units, San Francisco 12 percent and St. Paul 8 percent.

In using the attached statistics for individual cities, it is well to bear in mind a number of limiting factors which should enter into any judgment as to the capacity of a community to finance the loss inherent in almost any slum clearance project.

Substantial percentages of a city's revenue must be devoted to debt service, police and fire protection, sanitation and water supply to mention a few. Other portions are earmarked for education, pensions, welfare, relief and so on. The tremendous growth in motor traffic has touched off fierce competition for funds with which to finance costly highway improvements. Many of our cities are pressing hard on debt ceilings. Many more must function under limited taxing power particularly when, as is so frequently the case, the limit is on taxes for operation.

Apart from the foregoing, the cost of nearly everything a city buys has risen much faster than municipal tax revenue sources could respond. And there is the further limitation imposed by the States upon available sources of taxation.

This squeeze becomes more striking when it is realized that for all local governments property tax revenue is only 90 percent greater now



than in 1932 while prices paid by governments are up about 145 per cent. (Foreword, U. S. Conference of Mayors Report "Municipal and Intergovernmental Finance 1932-1942-1952.")

Basically, cities rely heavily upon property taxes for operating funds. Partly because of statutory limitations and partly because the assessment base—or grand list—lags in its response to rising prices, this major portion of a city's income falls behind in the race with costs.

The \$139 million aggregate net project costs for clearing 3.3 percent of the substandard units in all 14 sample cities may be compared with the combined net debts of the 14 cities, which amounted (latest reports for each city; dates vary) to some \$3.2 billion dollars, and with their combined revenues from all local sources, which amounted to \$1.6 billion. Let us assume for the moment that to clear all the 1940 substandard units in these 14 cities would take on the order of 30 times the \$139 million aggregate net project cost for the 28 projects, or a total of \$4.2 billion—which is 129 percent of the 14 cities combined net debt, and represents their combined local revenues for more than 2½ years. (See attached notes.)

In summarizing the recent report on "Municipal and Intergovernmental Finance, 1932-1942-1952," Paul V. Betters, Executive Director, the United States Conference of Mayors, states the following conclusion:

"Local governments have had to face the problem of increased prices and costs, as well as expanding needs for essential public services, with much less sensitive and flexible tax revenue sources than either the States or the National Government.

"This problem has been particularly serious for municipalities, which have benefited less directly than other local governments from grants-in-aid, and which face major needs and demands for modernization of urban transportation facilities and municipal plant."

#### NOTES TO ACCOMPANY STATEMENT

1. Total local government revenues increased less than threefold in the 20 years, 1932 to 1952, while gross national product and total personal incomes increased over fivefold. In the same period, State revenues increased over sevenfold and Federal revenues more than 25 times. (Table 5 and text on pp. 10 and 11 of the U. S. Conference of Mayors Report "Municipal and Intergovernmental Finance 1932-1942-1952.")

2. The following summary provides a standard to judge the percentage distribution of local revenues by broad sources, as given for each city in the attached statistical summaries.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

Sources of 1951 Revenues of 41 largest cities

	[Population over 250,000]	Percent
From property tax.....		60
From nonproperty tax.....		23
From other local sources.....		17
Total from all local sources.....		100
From State aid, shared taxes, etc.....		27
Total city revenues.....		127

(Table 13 of Conference of Mayors Report, *supra*.)

3. Total city revenue per capita varies widely with the functions performed by the industrial cities. Total revenue (excluding utility and insurance trust revenues for which per capita details are not available) for the largest cities averaged \$75 per capita in 1951. The peak was \$186 and the lowest \$30 per capita. (Table 32 of "Large-City Finances in 1951," U. S. Bureau of Census.)

Norfolk (fiscal year ended Dec. 31, 1952), population, 213,513.

*Debt:*

	In millions of dollars	Per capita Norfolk	National median cities 100,000 to 250,000
Gross direct.....	43.7		
Net direct.....	25.4	\$119	\$55
Overlapping.....	None	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	25.4	119	81

<sup>1</sup> See comments.

Peak debt burden \$25.4 million in 1952. Low point \$13.7 million in 1945. Increase 85 percent since 1945. Open borrowing capacity \$10.2 million inside debt limitation (excludes utilities) which is 18 percent of assessed value.

*Assessed value.*—\$295 million. (Said to be 63 percent of actual value.) Continuous annual increase since 1939 (or earlier) when assessed value was \$150 million.

*Tax rate.*—\$27 per \$1,000 of assessed value, or about \$17 per \$1,000 of actual value. Same rate since 1949 (or earlier). No limitations on property taxes. Tax collections poor, with delinquencies double the national experience.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	7.7	42.5
Nonproperty taxes.....	4.8	26.5
Water surplus.....	3.1	17.1
Other local sources.....	2.5	13.9
Local subtotal.....	18.1	100
State aid, etc.....	1.9	
City total.....	20.0	<sup>1</sup> \$94

<sup>1</sup> Per capita.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

Expenditures—\$18.3 million. Surplus—\$1.7 million.

*Comments.*—As is the rule in Virginia, the city of Norfolk is entirely independent of any county or taxing district. The city itself handles all local governmental functions except for the sewage disposal system, two bridges and a tunnel, all financed with revenue bonds. However, something over half the charges for operation and for service of the \$8 million debt of the sewage disposal system are paid by Norfolk-taxpayers. The city pays an annual fee, based on vehicular counts, to keep one of the bridges free of tolls; in 1953, the fee payable by Norfolk was budgeted at \$400,000.

Norfolk has a heavy debt—some 150 percent of the median for cities of its size—but has been able to carry the debt without evident strain due to the continued strong expansion (Navy, shipyards, World War II, Korea, etc.) of its property tax base and also even more importantly due to the development of broad revenue sources to supplement property taxation. In effect, this has permitted Norfolk to hold down property taxes and still make substantial capital outlays. Whether the new tax sources will carry the expanded debt through a recession remains to be seen. In 1932–34 and again in 1940–42, Norfolk was forced into extensive refunding and debt reorganization to handle accumulated deficits and failure to maintain sinking funds adequate to serve the debt then outstanding—which was about \$154 per capita in the early thirties and \$111 in the forties, as compared with the present \$119 per capita debt.

The large Title I project now well underway in Norfolk involves 127 acres with \$8.6 million estimated gross project costs and \$5.6 million estimated net project costs.

(Analysis largely based on Dun & Bradstreet, Inc., October 7, 1953, Municipal Credit Survey.)

Providence (fiscal year ended September 30, 1952), population, 248,674.

*Debt:*

	Millions of dollars	Per capita Providence	National median cities 100,000 to 250,000
Gross direct.....	64.9		
Net direct.....	43.4	\$174	\$69
Overlapping.....	none		
Debt burden.....	43.4	174	97

Peak debt burden \$48 million in 1941. Low point \$37 million in 1948. Increase of 17 percent since 1948. No clear statement available as to open borrowing capacity. Nominally the debt is limited to 3 percent of assessed value, but this may be exceeded by authorization of the State finance director. The net debt now exceeds 3 percent of the assessed valuation.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

Assessed value—\$617 million. (Said to be 80 percent of actual value.) Continuous slow increase from \$489 million in 1936.

Tax rate—\$29.40 per \$1,000 of assessed value which is about \$23.50 per \$1,000 of actual value. The \$25 tax limit does not apply to debt service.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	\$18.3	88.4
Nonproperty taxes.....	.5	2.4
Other local sources.....	1.9	9.2
Local subtotal.....	20.7	100
State aid, etc.....	4.9	
City total.....	25.6	(1) \$103

<sup>1</sup> Per capita.

Expenditures—\$25.5 million. Deficit—\$0.1 million.

*Comments.*—Providence is free of any overlapping local governmental unit. The debt is heavy—practically double the median for cities in its population group. Dependence on property taxation is far too great for comfort. Nevertheless, the actual tax rate is distinctly low for a New England city of this size. The relatively large amount of State aid and shared taxes is less closely earmarked than in most cities.

The Title I program in Providence has commenced with a 9-acre project for which gross project cost is estimated at about \$940,000 and net project cost at \$650,000. Two more projects now pending (out of a much larger number in various stages of planning) would bring totals to 27 acres with combined gross project costs estimated at \$3 million and net project costs at \$2.5 million.

(Analysis largely based on Dun & Bradstreet, Inc., August 17, 1953, Municipal Credit Survey.)

Nashville (fiscal year ended December 31, 1952), population 174,307.

*Debt:*

	In million of dollars	Per capita Nashville	National median cities 100,000 to 250,000
Gross direct.....	48		
Net direct.....	24.6	\$141	\$68
Overlapping.....	5.7	(1)	(1)
Debt burden.....	30.3	174	99

<sup>1</sup> County only.

Peak debt burden \$19.8 million in 1953. Low point \$10.9 million in 1945. Increase 55 percent since 1945. Open borrowing capacity is \$21.8 million with \$6.7 bonds authorized but not issued.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

*Assessed value.*—\$272 million. (Said to be 60 percent of actual value.) Up 78 percent from low point of \$153 million in 1935.

*Tax rate.*—\$40 per \$1,000 assessed value. (City limited to \$11 per \$1,000 for operations. No limit for debt service.) This is up from \$34.40 in 1951 and is about \$24 per \$1,000 of actual value.

*Revenues:*

	Millions of dollars	Percent
Property taxes.....	2.7	45.8
Nonproperty taxes.....	.7	11.8
Other local sources.....	2.5	42.4
Local subtotal.....	5.9	100
State aid.....	.9	
City total.....	6.8	<sup>1</sup> \$39

<sup>1</sup> Per capita.

*Expenditures.*—\$7.1 million.

*Deficit.*—\$300,000.

*Comments.*—Revenues and expenditures for school debt service, pensions and park purposes are outside the above computation. Nashville's per capita debt is considerably higher than the median for other cities in its population class but tax collections are fairly good and it operates on or close to a cash basis. However, appropriations for 1952 exceeded revenues with a resulting deficit. Revenue sources are well diversified with less than usual reliance on property taxes. State aid increased in 1947 through sharing in the newly inaugurated State sales tax, income and liquor taxes and a contribution for teachers' pensions.

Nashville's first title I project involves 67 acres with gross project cost estimated at \$10.5 million and net project cost at \$7.8 million.

(Analysis largely based on Dun & Bradstreet, Inc., August 13, 1953, Municipal Credit Survey.)

Little Rock (fiscal year ended December 31, 1951), population 102,213.

*Debt:*

	Millions of dollars	Per capita, Little Rock	National median cities 100,000 to 250,000
Gross direct.....	8.7	\$21	\$55
Net direct.....	2.1	( <sup>1</sup> )	( <sup>1</sup> )
Overlapping.....	2.8	59	81
Debt burden.....	4.9		

<sup>1</sup> Mostly school district.

Peak debt burden, \$5 million in 1930. Low point, \$3.1 million in 1947. Increase 58 percent since 1947. No statement available as to debt limitations, etc.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

*Assessed value.*—\$73.5 million. (Said to be 35 percent of actual value.) Up almost 100 percent since low point of \$37.5 million in 1934.

*Tax rate.*—(Severe limitations: 5 mills for service of new borrowings, plus 3 mills for 1924 funding bonds, total 8 mills for debt service; 5 mills for operations; 3 mills for pensions and library; grand total 16 mills, or \$16 per \$1,000 of assessed valuation.) Tax rates per \$1,000 of assessed value:

City.....	\$11. 80
School.....	32. 00
County.....	5. 20
Total.....	<sup>1</sup> 49. 00

<sup>1</sup> Per \$1,000 of assessed valuation, or about \$17 per \$1,000 of actual value. Assessment of property and collection of taxes are handled by the county. Tax collections have been very poor, with delinquencies running 2 to 3 times the national experience.

*Revenues:*

		Percent
Property taxes.....	\$706, 500	34. 6
Nonproperty taxes.....	576, 436	28. 3
Other local sources.....	756, 124	37. 1
Local subtotal.....	2, 039, 060	100
State aid.....	422, 675	
City total.....	2, 461, 675	<sup>1</sup> \$24

<sup>1</sup> Per capita.

The above 1951 total city revenues were sharply below the \$2,859,022 total for 1950 and even below the smaller total for 1949. Principal changes from 1950 were \$200,000 drop in property taxes (due to rate reduction) and elimination of \$103,000 in county road aid and \$139,000 in airport fees.

*Expenditures.*—\$2,413,939 in 1951.

*Deficit* was \$47,796.

*Comment.*—Little Rock defaulted on general obligation bonds in 1930 but was able to cure the defaults by 1934. Since then, forced refunds were resorted to in 1935 and 1938. While the debt burden has been rising since the close of World War II, it is still relatively low. Progress has been made in developing nonproperty tax revenue sources, but the city still suffers from the county's handling of assessments and property taxes. Little Rock is underway on its first Title I project covering 40 acres with gross project cost estimated at \$2 million and net project cost at \$1.7 million. A second project in the planning stage would bring totals to 149 acres with \$3.2 million estimated gross project costs and \$2.6 million estimated net project costs.

(Analysis largely based on Dun & Bradstreet, Inc., January 21, 1953, Municipal Credit Survey.)

Newark (fiscal year ended December 31, 1951), population 438,776.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

*Debt:*

	Millions of dollars	Per capita, Newark	National median cities, 250,000 to 500,000
Gross direct.....	53.8		
Net direct.....	38.3	\$57	\$56
Overlapping.....	9.9	(County)	
Debt burden.....	48.2	\$110	102

Peak debt burden \$123.2 million in 1933. Low point \$48.2 million in 1951. Reduction 60 percent, almost continuous since 1933.

There were \$23.6 million bonds authorized but not issued. (No statement as to debt limitation and open borrowing capacity.)

*Assessed value.*—\$695 million. (Said to be 75 percent of actual value), 30 percent drop reflecting almost continuous decline from \$962 million peak in 1937.

*Tax rate.*—Overall \$76.50 per \$1,000 of assessed value, which is about \$57 per \$1,000 of actual value. (No statement as to tax rate of city alone.) The overall rate has been climbing each year since 1948 (or earlier) when it was \$65. Tax collections have been poor, with delinquencies almost double the national experience.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	24.2	68.4
Nonproperty taxes.....	6.1	17.2
Other local sources.....	5.1	14.4
Local subtotal.....	35.4	100
State aid.....	( <sup>1</sup> )	
City total.....	35.4	( <sup>2</sup> )

<sup>1</sup> None reported.

<sup>2</sup> Per capita, \$89.

Expenditures—\$34.4 million. Surplus—\$1.0 million.

*Comments.*—In common with most other northern New Jersey industrial cities, Newark suffers from excessive dependence on property taxation, declining assessed valuations and the onerous requirement that the city, which collects all property taxes, must remit the full amount of school and county tax levies, regardless of delinquencies. This last in effect cost Newark some \$1.3 million in 1951—on top of its own \$1.5 million unpaid taxes.

Despite these handicaps, and due in no small part to close State supervision under the Cash Basis Act, Newark has made good progress in debt reduction and budgetary control.

The Title I program in Newark involves 43 acres in 2 projects now underway with combined gross project costs estimated at about \$9.5 million and net project costs at some \$7.9 million.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

(Analysis largely based on Dun & Bradstreet, Inc., December 11, 1952, Municipal Credit Survey.)

New York City (fiscal year ended December 31, 1951), population 7,891,957.

*Debt:*

	In millions of dollars.	Per capita New York	National median cities over 500,000
Gross direct.....	3,250.4		
Net direct.....	2,010.6	\$255	\$84
Overlapping.....	None	( <sup>1</sup> )	
Debt burden.....	2,010.6	\$257	\$113

<sup>1</sup> See comments.

Peak debt burden \$3,250 million in 1952. Low point \$2,857 million in 1947. Increase 87 percent. Open borrowing power practically exhausted.

*Assessed value.*—\$18.8 billion. (Said to be 98 percent of actual.) Dropped from 1932 peak of \$19.6 billion to \$15.8 billion in 1945.

*Tax rate.*—(City limited to \$20 per \$1,000 for operations, no limit for debt service.) City—\$30.80 per \$1,000 assessed value—same for actual value.

*Overall.*—Same.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	567.7	56.6
Nonproperty taxes, etc.....	187.8	19.1
Other local sources.....	240.5	24.3
Local subtotal.....	995.8	100
State aid.....	255.7	
City total.....	1,251.5	<sup>1</sup> \$158

Per capita,

*Expenditures*—Total \$1,240.4 million. *Surplus*—\$11.1 million.

*Comments.*—Unlike many other large cities, all functions in New York (except transit bridges, tunnels, airports, etc.) are handled by the municipal government itself. The appearance of a balanced budget has been obtained only by devices (characterized by the New York Times as “prayer and bookkeeping sleight-of-hand”) such as funding the transit operating deficit, underestimating pension requirements and the cost of the 40-hour week, and overestimating sales tax revenues, by advancing quarterly returns so as to show 14 months’ receipts in 1 year. For several years each budget making period has produced a crisis and each time the city has appealed to the legislature for relief. Usually only partial relief has been forthcoming. In commenting on the city’s attempts to broaden its revenue sources,



Dun & Bradstreet conclude "the city's revenue system is presently inadequate for operating purposes."

New York City has the highest per capita debt in the country. Lately it has been chronically pressing the upper limits of its legal borrowing capacity and has only stayed within its legal debt limit by securing legislative permission to borrow outside the 10 percent debt limit for certain additional purposes—such as transit. Of late years New York has avoided a public sale of its bonds—which might reveal a weak credit rating—by selling all new issues to the various city pension funds.

The Title I program has seven projects under contracts covering 103 acres with combined gross project costs estimated at \$61.6 million and net project costs at \$47.8 million. Three more projects now in the final study stage would bring the combined totals to 162 acres with \$92.5 million gross project costs and \$69 million net project costs.

(Analysis largely based on Dun & Bradstreet, Inc., Municipal Credit Survey, dated June 28, 1952.)

Baltimore (fiscal year ended 1952), population 949,708.

*Debt:*

	In millions of dollars	Per capita Baltimore	National median cities over 500,000
Gross direct.....	249		
Net direct.....	139	\$147	\$94
Overlapping.....	None	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	139	147	153

<sup>1</sup> See comments.

Peak debt burden \$139 million in 1952. Low point \$80 million in 1944. Increase 74 percent since 1944. \$127 million bonds authorized but unissued.

*Assessed value.*—\$2.2 billion. (Said to be 75 percent of actual value.) Up 83 percent since low point of \$1.2 billion in 1937, reflecting a gain each year.

*Tax rate.*—City \$28.20 per \$1,000 of assessed value, which is about \$21 per \$1,000 of actual value. (No limitation on taxes.) Tax collections in line with national experience.

*Revenues:*

	In millions of dollars	Percent
Property tax.....	59.0	64.1
Other local sources.....	33.1	35.9
Local subtotal.....	92.1	100
State and Federal aid.....	34.3	
City total.....	126.4	<sup>1</sup> \$133

<sup>1</sup> Per capita.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

Expenditures—\$122.0 million. Surplus—\$4.4 million.

Comments.—Baltimore City handles all local governmental functions and has no overlapping county or districts to contend with. The city has no arbitrary limitations but the statutory method of borrowing is cumbersome and time consuming. It must first secure an enabling act by the State legislature and subsequently obtain the approval of the city electorate.

Baltimore's debt load is moderate and tax collections good. The revenue system is well diversified. Financial management has been satisfactory. Most of the State and Federal aid is for dedicated purposes. Baltimore has now sold all the \$5 million bonds authorized for redevelopment.

It is interesting to note that \$70 million of the \$128.7 million appropriated in the 1953 budget is for such activities as schools, welfare, debt service and pensions. Only the item for schools could conceivably contain any funds that might provide some noncash grants-in-aid, so cash for other local expenses must come from the \$58.7 million of other operating funds or from borrowing.

Baltimore's Title I program is well underway with 60 acres in two projects having combined gross project costs estimated at \$7.7 million and net project costs at \$6.7 million. Several additional project areas are under study, for which firm cost estimates are not yet available.

(Analysis largely based on Dun & Bradstreet, Inc., May 6, 1953, Municipal Credit Survey.)

San Francisco (fiscal year ended December 31, 1952), population, 775,357.

*Debt:*

	In millions of dollars	Per capita San Francisco	National median cities over 500,000
Gross direct.....	199.0		
Net direct.....	120.7	\$156	\$94
Overlapping.....	None	(1)	(1)
Debt burden.....	120.7	156	153

<sup>1</sup> Combined city-county.

Peak debt burden \$120.7 million in 1952. Low point \$32.2 million in 1945. Continuous rapid expansion since 1945 has increased debt burden 275 percent in 8 years. Open borrowing capacity \$105 million within the 12 percent limitation. (Utility debt is exempt.) \$38.2 million bonds authorized but not issued.

*Assessed value.*—\$1.2 billion. (Said to be 44 percent of actual value.) Continuous increase from \$820 million in 1940.

*Tax rate.*—\$56.70 per \$1,000 of assessed value is the total tax rate of the combined city-county for 1953. This is down from a recent peak of \$62.90 in 1951, and is about \$25 per \$1,000 of actual value. Tax collections have been the best of all our larger cities, with delinquencies consistently less than a third of the national experience.



*Revenues:*

	In millions of dollars	Percent
Property taxes.....	70.6	81.4
Nonproperty taxes.....	6.5	7.5
Other local sources.....	9.8	11.1
Local subtotal.....	86.9	100
State aid, etc.....	38.9	(1)
City total.....	125.8	<sup>2</sup> \$162

<sup>1</sup> See comment.<sup>2</sup> Per capita.

Expenditures—\$122.6 million. Surplus—\$3.2 million.

Comments.—The City-County of San Francisco is independent of overlapping taxing units, and handles all phases of local government except the two major bridges, which were financed with revenue bonds. (The City-County is contingently liable for 85 percent of any deficiency in operating costs and debt service of the Golden Gate Bridge.) Also San Francisco has for many years benefited from excellent fiscal control and management. Furthermore, its position as a city-county brings it a larger share of State aid and shared taxes than usual. This item in 1952 was up 50 percent from the \$24.4 million received in 1950. While all State aid is earmarked for specific purposes, it included in 1952 some \$9.6 for highways of which part could be used to support the Title I program.

Recent rapid expansion of the debt has been supported by a somewhat slower but solid increase in assessed valuation, and even now the debt burden has just reached the median for cities over 500,000 population. Excessive dependence on property taxation is somewhat offset by unusually liberal State aid, and also by the broadening of revenue sources, as for example the local sales tax adopted in 1948 and currently producing some \$4.8 million per year, all devoted to debt service.

San Francisco has embarked on a bold and extensive Title I program. The first two projects cover 434 acres and are under contract with combined gross project costs estimated at \$27.1 million and net project costs at \$12.3 million.

(Analysis largely based on Dun & Bradstreet, Inc., June 24, 1953, Municipal Credit Survey.)

St. Paul (fiscal year ended December 31, 1951) population, 311,349.



*Debt:*

	In millions of dollars	Per capita St. Paul	National median cities 250,000 to 500,000
Gross direct.....	25.9		
Net direct.....	16.6	\$53	\$56
Overlapping.....	1.9	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	18.7	60	102

Mostly twin cities airport.

Peak debt burden \$43.5 million in 1934. Low point \$16.2 million in 1950. Unused legal borrowing capacity \$41 million including \$6.5 school bonds authorized but not issued.

*Assessed value.*—\$186.4 million. (Said to be 34 percent of actual value.) Up 41 percent from low of \$132.2 million in 1942.

*Tax rate.*—Limitation \$332 per capita for city and school operations: no limitation on taxes for debt service).

Per \$1,000 of assessed value for city and schools.....	\$85.48
Per \$1,000 of assessed value for county.....	29.98
Per \$1,000 of assessed value for State.....	7.14

Per \$1,000 of assessed value which is about \$42 per \$1,000 of actual property value. Tax collections have been good, with delinquencies not much over half the national experience..... \$122.60

*Revenues:*

	Millions of dollars	Percent
Property taxes.....	15.4	82.8
Nonproperty taxes.....	1.0	5.4
Other local sources.....	2.2	11.8
Local subtotal.....	18.6	100
State aid.....	4.7	
City total.....	23.3	<sup>1</sup> 75

<sup>1</sup> Per capita.

*Expenditures.*—\$23.0 million.

*Surplus.*—\$0.3 million.

*Comments.*—Although too heavily dependent on property taxation for comfort in bad times, St. Paul has relatively high per capita revenues and low debt, with ample borrowing capacity. The majority of the funds received in State aid are earmarked for education and welfare, etc., only about 20 percent is available for general city purposes including slum clearance.

St. Paul's Title I program has commenced with two projects totaling 122 acres with combined gross project costs estimated at \$9.4 million and net project costs at \$7 million.



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

(Analysis largely based on Dun & Bradstreet, Inc., August 11, 1952, Municipal Credit Survey.)

Chicago (fiscal year ended December 31, 1951), population 3,620,962.

*Debt:*

	Millions of dollars	Per capita, Chicago	National median, cities over 500,000
Gross direct.....	219		
Net direct.....	140	\$39	\$94
Overlapping.....	186	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	326	90	153

<sup>1</sup> Schools, sewers, parks, etc.

Peak debt burden, \$476 million in 1936. Low point, \$204 million in 1946.

Increase 160 percent since 1946.

Open borrowing capacity, \$317 million. (5 percent debt limitation.)

\$81 million bonds authorized but not issued.

*Assessed value.*—\$8,751 million. (Said to be 100 percent of actual value.)

*Tax rate.*—City, \$13.06 per \$1,000. (Actual same.) Taxes are unlimited for debt service, but restricted to various rates for operating purposes. Tax collections have been very poor, with delinquencies running four times the national experience.

*Overall.*—\$35.98 per \$1,000. (Actual same.)

*Revenues:*

	Millions of dollars	Percent
Property taxes.....	40.4	51.1
Nonproperty taxes.....	28.4	35.9
Miscellaneous.....	10.3	13.0
Local subtotal.....	79.1	100
State and Federal aid.....	33.1	
City total.....	112.2	<sup>1</sup> \$31

<sup>1</sup> Per capita.

*Expenditures.*—Total, \$87.8 million, excluding debt service.

*Comments.*—Chicago is subject to six overlapping local governments, each with the power to incur debt and levy taxes, whose total receipts and expenditures exceed those of the city itself. This makes comparison with other cities very difficult, and is especially significant in evaluating the apparently low net debt.

Chicago's very poor tax collections probably result from collection by the County under a system having many "handicaps to efficient tax administration" (in the words of Dun & Bradstreet), some of which the State legislature is endeavoring to eliminate. Recurring large tax



abatements add to Chicago's revenue difficulties. Regular State aid, while substantial, is largely earmarked for specific functions.

However, several years ago, the State granted \$10.7 million in cash to Chicago for slum clearance and redevelopment and the city authorized and sold \$15 million bonds for the same purpose. Investment of the proceeds has produced another \$1.3 million from interest received. Of the \$27 million total made available by the City and State, almost half has been expended, mostly for purchasing slum properties in the first project, so that the \$13.7 million balance, plus land proceeds estimated at \$2.1 million, make a total of about \$15.8 million local funds available to carry on the program.

Chicago has two active slum clearance projects involving 154 acres with combined gross project costs estimated at \$21.6 million and net project costs estimated at \$16.4 million. Four more projects in planning stages could bring the totals to some 300 acres with perhaps \$35 million estimated gross project costs and \$28 million net project costs.

(Analysis largely based on Dun & Bradstreet, Inc., March 6, 1953, Municipal Credit Survey.)

Jersey City (Fiscal year ended December 31, 1951), population 299,017.

*Debt:*

	Millions of dollars	Per capita, Jersey City	National median, cities 250,000 to 500,000
Gross direct.....	41.1		
Net direct.....	24.9	\$83	\$56
Overlapping.....	6.0	(1)	(1)
Debt burden.....	30.9	103	102

<sup>1</sup> County only.

Peak debt burden, \$75.2 million in 1933. Low point \$30.9 million in 1951.

Reduction, 59 percent, practically continuous since 1933.

Open borrowing capacity \$9.8 million. Bonds authorized but not issued totalled \$10.3 million, including waterworks issues which are outside the limitation.

*Assessed value.*—\$484.3 million (said to be 90 percent of actual value) for 1952, reflecting almost continuous shrinkage from \$600 million in 1942.

*Tax rate* (rate for city is not stated separately).—Overall tax rate was \$76.50 per \$1,000 of assessed value, up each year from \$68 in 1948 and now about \$69 per \$1,000 of actual value. Tax collections are poor, with delinquencies more than double the national experience.



*Revenues:*

	Millions of dollars	Percent
Property taxes.....	16.6	67.7
Nonproperty taxes.....	1.9	7.8
Other local sources.....	6.0	24.5
Local subtotal.....	24.5	100
State aid.....	( <sup>1</sup> )	
City total.....	24.5	* \$82

<sup>1</sup> None reported.<sup>2</sup> Per capita.*Expenditures.*—\$26.2 million.*Deficit.*—\$1.7 million.

*Comment.*—In common with most other northern New Jersey industrial cities, Jersey City suffers from excessive dependence on property taxation, declining assessed values, and enforced shouldering of the entire burden of delinquencies for the school and county property tax levies. This last cost Jersey City some \$930,000 in 1951. In addition to these difficulties which stem from State laws, etc., Jersey City in the opinion of Dun & Bradstreet is "a high cost operating unit." The result is one of the highest actual tax rates in the country. However, despite these handicaps and due in large measure to close State supervision under the Cash Basis Act, budgetary operations have been fairly well controlled and debt well administered.

Under orders from the Interstate Sanitation Commission, Jersey City is now constructing a \$26 million sewage treatment facility which will be financed by a separate Sewer Authority with revenue bonds. However, the burden will of course fall on the taxpayers.

The Title I program in Jersey City covers 29 acres in two projects now underway with combined gross project costs estimated at about \$5.5 million and net project costs at some \$4.5 million.

(Analysis largely based on Dun & Bradstreet, Inc., May 15, 1952, Municipal Credit Survey.)

Detroit (fiscal year ended June 30, 1952), population 1,849,568.

*Debt:*

	In millions of dollars	Per capita Detroit	National median cities over 500,000
Gross direct.....	314.1		
Net direct.....	173.9	\$94	\$94
Overlapping.....	11.9	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	185.8	100	153

<sup>1</sup> See comments.

Peak debt burden \$286 million in 1932; low point \$175 million in 1952; decrease 39 percent since 1932, has been continuous since 1935.

Unused legal borrowing capacity \$216.3 million. \$23.2 million unissued bonds have been authorized for sewers, airport, memorial hall, and fire stations.



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*Assessed value.*—\$4.6 billion. (Said to be 100 percent of actual.)  
Up 100 percent from \$2.2 billion in 1935.

*Tax rate.*—(City limited by charter to \$20 per \$1,000, but courts have held that taxes for debt service are unlimited.)

*City.*—\$22.28 per \$1,000 of assessed value—same for actual value.

*Overall.*—\$39.29 per \$1,000 of assessed value—same for actual value.  
Tax collections have been very good, with delinquencies half the national experience.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	91.3	74.2
Nonproperty taxes.....	6.2	5.1
Other local sources.....	25.4	20.7
Local subtotal.....	122.9	100
State aid, etc.....	25.6	
City total.....	148.5	<sup>1</sup> \$80

<sup>1</sup> Per capita.

*Expenditures*—Total \$154.1 million. *Deficit*—\$5.6 million.

*Comments.*—Detroit has a comparatively simple governmental structure for its size. As yet, the only major overlapping debt is that of the County Building Authority. However, the city school district recently became independent and will issue its own bonds for future school construction.

Detroit's economy is notorious for very wide swings. In the depths of the depression, the city was unable to service its very heavy debt—then \$182 per capita. The resultant defaults were cured in 1934 by extensive refunding. Since then Detroit has made steady progress in debt reduction and, despite occasional deficits, has been able to maintain the general fund on a cash basis. While still too dependent on property taxes for comfort, some progress has been made in diversifying revenue sources. State aid bulks large in total city revenues, but much of this is earmarked for designated purposes.

One Title I project is underway in Detroit, involving 129 acres with gross project costs estimated at \$9.1 million and net project costs at \$7.1 million. As yet, estimated costs of further projects are not firm.

(Analysis largely based on Dun & Bradstreet, Inc., February 4, 1953, Municipal Credit Survey.)

<sup>1</sup> Cincinnati (fiscal year ended December 31, 1952), population 503,998.



*Debt:*

	In millions of dollars	Per capita Cincinnati	National median cities over 500,000
Gross direct.....	118		
Net direct.....	84	\$167	\$94
Overlapping net.....	43	( <sup>1</sup> )	( <sup>1</sup> )
Debt burden.....	127	251	153

<sup>1</sup> Schools and county.

Peak debt burden. \$127 million in 1952. Low point \$38 million in 1944. Net increase 334 percent since 1944. No clear statement available as to open borrowing capacity. \$31.2 million in bonds authorized but not issued.

*Assessed value.*—\$1.3 billion. (Said to be 60 percent of actual value.) Up to 40 percent from low point of \$907 million in 1946.

*Tax rate.*—City, \$14.62 per \$1,000 assessed value, \$8.77 per \$1,000 actual value.

*Overall.*—\$31.56 per \$1,000 assessed value, \$18.94 per \$1,000 actual value. Tax collections have been very good, with delinquencies less than half the national experience.

*Revenues:*

	In millions of dollars	Percent
Property taxes.....	13.5	67.5
Nonproperty taxes.....	3	15.0
Miscellaneous.....	3.5	17.5
Local subtotal.....	20.0	100
State aid, etc.....	4.4	
City total.....	24.4	<sup>1</sup> \$48

<sup>1</sup> Per capita.

*Expenditures.*—Total \$23.6 million. Surplus—\$0.8 million.

*Comments.*—Heavy debt which has been increasing much faster than the tax base and is now the fifth largest per capita debt of the 17 cities with population over 500,000. However, Cincinnati's heavy debt is partially offset by good tax collecting and fiscal management. Councilmanic bonds must be serviced inside a narrow tax limitation. Voted bonds are serviced from unlimited taxes which may be (and are) outside of the limit. Cincinnati's revenue base is fairly well diversified, especially since the city has not yet availed itself of the "local income tax." Overlapping county and school district's proportionate receipts and expenditures amount to about 155 percent of the city's own operations.

Cincinnati has one project under loan and grant contract, covering 34 acres with gross project cost estimated at \$4.3 million and net project cost of \$3.7 million. Two additional projects which are in final plan-



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ning stages would bring the total gross project cost to some \$9 million with net project costs on the order of \$7.4 million.

(Analysis largely based on Dun & Bradstreet, Inc., April 23, 1953, Municipal Credit Survey.)

Philadelphia (fiscal year ended December 31, 1952), population 2,071,605.

*Debt:*

	In millions of dollars	Per capita Philadelphia	National median cities over 500,000
Gross direct.....	536.5		
Net direct.....	382.3	\$185	\$94
Overlapping.....	57.3	(1)	(1)
Debt burden.....	439.6	212	153

<sup>1</sup> School district only.

Peak debt burden \$439.6 million in 1952. Low point \$302.8 million in 1945. Increase 45 percent since 1945. Outstanding debt is just within the legal debt limit (increased to 13½ percent of assessed value by amendment to State constitution in 1951), so that further borrowing must be limited to amounts retired, except for self-supporting debt such as water, gas, sewer, and transit.

*Assessed value.*—\$3.5 billion for 1953. (57 percent of actual value per State Board of Equalization.) Up 45 percent from the low of \$2.4 billion in 1945.

*Tax rate.*—City—\$17 per \$1,000 of assessed valuation (no limit). School \$13.25 per \$1,000, total tax rate \$30.25 per \$1,000 of assessed valuation, or about \$17.25 per \$1,000 of actual value of taxable real property. There has been no change in the \$17 city rate since 1936. The school rate has been increased five times since that date. Tax collections have been in line with the national experience.

*Revenues:*

	Millions of dollars	Percent
Property taxes.....	55.6	45.0
Nonproperty taxes.....	48.4	39.2
Other local sources.....	19.6	15.8
Local subtotal <sup>1</sup> .....	123.6	100
State aid.....	4.6	
City total <sup>1</sup> .....	128.2	<sup>2</sup> \$61

<sup>1</sup> Excludes utility gross revenues, which cover operating costs and all debt service except that for the \$142 million transit debt.

<sup>2</sup> Per capita.

*Comments.*—Philadelphia is a consolidated city-county with only the coterminous school district as an overlapping taxing unit. It has the third heaviest per capita debt burden in the country. Fifty year term bonds were issued (and in some instances refunded at maturity) almost regardless of the life of the capital asset involved—even street repairs, etc., were paid for from long term bond issues. It is prob-



able that only the city's "gross income tax," instituted in 1940, staved off a financial debacle. This was a significant advance in broadening the revenue base.

Under the new "home rule" charter, which went into effect in January 1952, the new city administration is making substantial progress toward better fiscal management. All repairs and some new construction is now being financed from current revenues, and new bond issues have been held to much shorter terms. Nevertheless, Philadelphia will need many years to work itself into a sounder debt position. It is significant that out of \$33.4 million bonds sold this year \$26.5 million were for extensions, etc., to self-supporting utilities while all the \$6.9 million tax-supported bonds were for refunding purposes.

Philadelphia has been allotted \$748,600 of State funds for its Title I projects. The local electorate in 1952 approved \$1 million and in November 1953 will vote on another \$1,478,000 city bonds for slum clearance. (Only small annual amounts can be authorized within the debt limit.)

City appropriations for slum clearance have been:

1947-----	\$102, 400	1951-----	1, 152, 000
1948-----	152, 460	1952-----	2, 471, 240
1949-----	242, 716	1953-----	1, 590, 350
1950-----	558, 000		

\$1,918,600 has been included in the 1954 budget.

The Title I program in Philadelphia is planned to be much more extensive than the 60 acres in the three projects now under way with combined gross project costs estimated at \$11.1 million and net project costs at \$9.9 million. Four more projects now in the advanced planning stage would bring the total to perhaps 3,000 acres with \$55 million total estimated gross project costs and \$29 million total estimated net project costs.

(Analysis largely based on Dun & Bradstreet, Inc., March 18, 1953. Municipal Credit Survey.)



## EXHIBIT 11

EXCERPT FROM A STUDY ON TAX REVENUES FROM REDEVELOPMENT  
PROJECTS SELECTED AT RANDOM

From 10 cities taken at random was ascertained (1) the annual tax receipts from the project area prior to redevelopment and (2) the estimated annual tax receipts after redevelopment, and from this was computed the principal amount of bonds which (at 10- and 15-year maturities and at an interest rate of 3 percent per annum) could be supported by a level debt service payment equal to 50 percent and to 75 percent of the estimated increased tax receipts. In summary, tax receipts increase from roughly  $2\frac{1}{2}$  to as much as (in one case) 10 times. The amount of bonds which could be issued on a 15-year maturity with a level debt service payment equal to 75 percent of the estimated increased tax revenues would be sufficient to meet or substantially exceed local grant-in-aid requirements on 7 of the 10 projects. On a 10-year, 50 percent basis the amount of bonds which could be issued would be sufficient to meet or exceed the local grant-in-aid requirements on 3 of the 10 projects and from roughly 25 percent to 50 percent of the local grant-in-aid requirements on most of the other 7 projects.

In the absence of absolute knowledge of economic conditions far into the future, it is difficult to speculate on the probabilities for tax collections over a period of years. It becomes even more difficult when dealing with a single small segment of a community.

Cities generally, when taken as a whole, usually tend to show an increasing tax base, but this is largely due to new construction, annexations, etc., which more than offset the fall in deteriorating areas. The one exception to this rising tendency is the community losing population with the accompanying fall in new building and area growth.

Assessors almost invariably take notice of depreciation as improvements grow older. They also consider rising ground values and reproduction costs, both of which follow the upward inflationary trend that historically follows industrialization.

The one exception in this century, broad enough to be noteworthy, was the effect of the depression of the thirties, when allowing for the inevitable lag in changing assessments, the tax base fell noticeably over most of the country.



APP. 2—SUBCOMMITTEE ON URBAN REDEVELOPMENT

If we assume that the Federal Government with its background of experience in combating unemployment will minimize any future national "bad times," then it follows that there is little likelihood of a repetition of the situation of twenty-odd years ago—certainly in anything like its severity.

Most signs point toward the stability of tax revenues from a redeveloped area. The favorable factors, continued mild inflation, constantly improving standards of living, increasing industrialization, expanding population, new industries, migration to the cities, etc., all are on the plus side. The minus forces may be described as inevitable depreciation, the flight to the suburbs and potential large scale dispersal.

The odds seem to be mostly on the side of continued stability of tax revenue. There is the further consideration of steadily decreasing debt under serial bond financing and the initial margin of safety set up by only using a part of the increased tax take as a basis for borrowing.

Location	Tax receipts		Local grant-in-aid required	Bond issue (3 percent)			
	Before	After		50 percent of increased tax receipts		75 percent of increased tax receipts	
				10 years	15 years	10 years	15 years
Murfreesboro, Tenn.....	\$2,000	\$20,000	\$159,529	\$76,000	\$107,000	\$115,000	\$163,000
Norfolk, Va.....	66,400	181,485	1,850,237	490,000	636,000	736,000	1,030,000
Newark, N. J.....	176,000	600,000	1,099,666	1,828,000	2,530,000	2,712,000	3,796,000
Nashville, Tenn.....	23,000	178,500	2,723,437	1,326,000	1,862,000	1,989,000	2,784,000
Roanoke, Va.....	12,000	75,000	731,524	269,000	376,000	403,000	564,000
San Francisco, Calif.....	186,219	1,337,391	4,167,460	4,900,000	6,870,000	8,217,000	11,500,000
Baltimore, Md.....	75,350	193,130	1,990,325	502,000	703,000	762,000	1,066,000
Chicago, Ill.....	75,021	558,884	877,375	2,060,000	2,888,000	3,095,000	4,332,000
Jersey City, N. J.....	121,389	400,000	1,484,069	1,162,000	1,627,000	1,744,000	2,510,000
Perth Amboy, N. J.....	34,621	178,320	373,331	613,000	857,000	911,000	1,286,000



## PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

### EXHIBIT 12

#### DIGEST OF REPLIES TO QUESTIONNAIRE SENT OUT BY THE SUBCOMMITTEE ON URBAN REDEVELOPMENT, REHABILITATION, AND CONSERVATION

Following is a digest of replies to a questionnaire sent out by the Subcommittee on Urban Redevelopment, Rehabilitation, and Conservation, of the President's Advisory Committee on Housing. Replies were received from the following persons:

- Frank P. Zeidler, mayor, Milwaukee, Wis.  
Rafael Pico, chairman, Puerto Rico Planning Board, Santurce, P. R.  
Roger L. Creighton, secretary, Slum Clearance and Redevelopment Authority, Portland, Maine.  
Francis J. Lammer, executive director, Redevelopment Authority of the City of Philadelphia, Philadelphia, Pa.  
Robert Moses, chairman, Office of Committee on Slum Clearance, New York City.  
Charles S. Ascher, New York City.  
W. O. Dobbins, Jr., director, State Planning Board, Montgomery, Ala.  
George H. Dovenmuehle, president, Dovenmuehle, Inc., Chicago, Ill.  
Carl A. Metz, care Shaw, Metz & Dolio, Chicago, Ill.  
Ramsey Findlater, director, Cincinnati Metropolitan Housing Authority, Cincinnati, Ohio.  
Gerald Gimre, executive director, The Nashville Housing Authority, Nashville, Tenn.  
Paul B. Guthery, care V. J. Guthery's Sons, Charlotte, N. C.  
Frank H. Malley, director, City Plan Commission, Providence, R. I.  
Donald M. Graham, executive director, Providence Redevelopment Agency, Providence, R. I.  
Charles B. Bennett, director, Department of City Planning, Los Angeles, Calif.  
Paul Opperman, Director of Planning, San Francisco, Calif.  
Shelton P. Hubbard, director, Department of Housing Improvement and Slum Clearance, New Orleans, La.  
R. Redding Stevenson, chairman, Housing Authority of the City of Little Rock, Little Rock, Ark.  
William E. Kemp, mayor, Kansas City, Mo.  
Reginald R. Isaacs, chairman, Department of City and Landscape Planning, Harvard University, Cambridge, Mass.  
Ferd Kramer, care Draper and Kramer, Chicago, Ill.

#### DIGEST OF REPLIES

Question 1: The size of the slum elimination and slum prevention problem.

*Milwaukee, Wis.*—Areas with 7 to 10 symptoms of blight cover approximately 5,400 gross acres or nearly 16 percent of total city area.



Within these areas live 121,356 persons or 19.04 percent of total population. Over 36,000 or 20 percent of Milwaukee's 185,734 occupied dwelling units are believed to be substandard. 27 percent of all occupied rental units are substandard.

*Puerto Rico.*—100,000 urban slum dwellings, constituting 40 percent of all urban dwelling units.

*Portland, Maine.*—Slum elimination: 78 acres and 4,660 persons or 5½ percent of the population of Portland.

Slum prevention involving a greater amount of spot clearance and improvement of public facilities: 322 acres and 19,063 persons, or 25 percent of population.

Slum prevention involving a lesser amount of spot clearance but including some improvements of public facilities: 337 acres and 15,025 persons, or 20 percent of population.

Conservation areas would involve approximately 10 percent of the units within such areas.

*Philadelphia, Pa.*—1950 census revealed 70,000 dwellings so deficient as to warrant redevelopment action.

*New York City.*—1950 census rated more than 285,000 apartments—over 12 percent of total as badly substandard. Included in this figure were more than 100,000 apartments lacking either a private bath, toilet, or both. The City Planning Commission has designated 9,000 acres throughout the city as slum areas which would be proper for clearance and rehabilitation.

*Cincinnati, Ohio.*—National 1950 census figure of 4,900,000 substandard urban occupied dwellings.

*Nashville, Tenn.*—One-third of the 22 square miles of incorporated area in Nashville is slums and dilapidated area. A housing survey made in 1949 revealed that out of a total of 47,526 dwellings in the city, 21,410 were substandard.

*Providence, R. I.*—Estimate that more than 60,000 of the city's 74,000 dwelling units are located in areas which require municipally aided housing improvement activity. Twenty-five thousand units in eight residential areas have been designated as redevelopment areas. Seven thousand units in these areas must be cleared; 18,000 units (20–25 percent of city total) can be rehabilitated. Areas requiring conservation action contain about 35,000 units or 40–50 percent of city total.

*Los Angeles, Calif.*—United States 1950 census revealed 29,461 dilapidated dwelling units in Los Angeles. An independent housing survey in Los Angeles revealed 19,300 dilapidated units. Therefore, approximately 24,000 units is probably a fair estimate of units which should be demolished. This represents about 3½ percent of total 1950 housing supply. About 11,000 structures are involved. The



1950 census also revealed a total of 35,464 units which were not dilapidated, but lacked adequate sanitary facilities. This figure represents the number of units that require rehabilitation to become standard. It is about 5 percent of total supply and involves approximately 16,000 structures.

*San Francisco, Calif.*—Approximately 5 percent of the area requires complete clearance; 23 percent requires rehabilitation treatment; remainder is either stabilized or requires only minor remedial action.

*New Orleans, La.*—43 percent of the total number (173,608) of houses in New Orleans are substandard. There are about 29,397 houses (17.3 percent) without running water or dilapidated, and 43,690 (25.7 percent) without private bath or dilapidated. Twenty-five percent of the city's residential areas are "poor housing" areas, in which 27.4 percent of the population lives.

*Little Rock, Ark.*—The size of the program should be cut to the pattern outlined in the Housing Act of 1949.

*Kansas City, Mo.*—Approximately 6 percent of all dwelling units in Kansas City are in a condition of severe blight and should be demolished. An additional 19 percent are in need of varying degrees of rehabilitation to restore them to acceptable standards of livability.

*Reginald R. Isaacs, Harvard Graduate School.*—Slum prevention problem has three times the geographic area of slum clearance and probably can be accomplished at one-third the cost.

Question 2: The role in slum elimination of urban redevelopment.

*Milwaukee, Wis.*—While the word "slum" is a matter of definition, such areas must be cleared, replanned and rebuilt. The process of reclamation is urban redevelopment. As contemplated in the Housing Act of 1949, it is the best implement thus far developed for joint participation by the Federal Government and the communities. Refinements may be needed but unnecessary delays for purposes of further study should be avoided.

*Puerto Rico.*—The urban redevelopment program under the Housing Act of 1949 constitutes the major method that can be used for elimination of slums. Because of the condition of slum housing and the lack of rational street patterns, clearance and urban redevelopment is necessary.

*Portland, Maine.*—Urban redevelopment under the Housing Act of 1949 is the only means of slum elimination. Private interests are financially incapable of effecting slum clearance.

*Philadelphia, Pa.*—Cannot have redevelopment without slum clearance, but must have Federal financial assistance.

*New York City.*—Urban redevelopment is a sound application of city planning principles to slum elimination.



*Cincinnati, Ohio.*—The dual purpose of urban redevelopment is assumed to be the elimination of slums and redevelopment of blighted areas for their best use as determined by local planning agencies. A program directed toward elimination of inadequate housing and eventual improvement of cities should provide for treating blight by the most effective means that analysis of individual areas may indicate: (1) Demolition of unusable buildings, repair of others and provision of community facilities; (2) removal of incompatible land use; (3) removal of certain structures.

*Nashville, Tenn.*—Urban redevelopment in Nashville would of necessity be confined solely to existing slum areas.

*Charlotte, N. C.*—Complete redevelopment should be a last resort, with every precaution taken to protect private property rights, giving former owners a purchase refusal of their redeveloped land.

*Providence, R. I.*—Urban redevelopment is the process of replacing obsolete facilities in a city with carefully planned and coordinated facilities. In this sense, residential slum elimination is only a part of the urban redevelopment process.

*San Francisco, Calif.*—The role in slum elimination of urban redevelopment is primary and crucial. The redevelopment program is the fulcrum around which all community efforts in this field revolve and to which they are related.

*New Orleans, La.*—Urban redevelopment has an important role to play in the overall program of slum elimination.

*Little Rock, Ark.*—In the south and southwest most cities are infested with shack neighborhoods and areas whose character of construction will preclude rehabilitation and will require complete elimination. Therefore, urban redevelopment should have a prominent part in slum elimination.

*Reginald R. Isaacs, Harvard Graduate School.*—Urban redevelopment is a major slum elimination.

Question 3: The role of neighborhood replanning, conservation and rehabilitation.

*Milwaukee, Wis.*—Useful measures for application to areas in which there are evidences of blight, but where there is a reasonable chance to preserve existing values. These activities should be in large part the responsibility of the community and the obligation of property owners to deal with their own buildings.

*Puerto Rico.*—Can play an important role in retarding deterioration of blighted areas. Such programs should be relied upon largely for slum prevention, rather than slum elimination.

*Portland, Maine.*—Conservation and rehabilitation techniques are vital because they will affect 45 percent of the housing supply which



is not being replaced at the current rate of housing construction. These techniques involve (1) enforcement of housing standards; (2) destruction of badly dilapidated buildings; (3) provision of new community facilities. The last two involve sizable expenditures of public funds.

*New York City.*—Neighborhood conservation and rehabilitation is a useful tool to arrest blight. It is but one of a series of tools—including replanning, police power enforcement and new housing—all of which must be used in a coordinated program.

*Cincinnati, Ohio.*—When used in conjunction with redevelopment, neighborhood replanning is inherent; where it is part of a conservation or rehabilitation plan it may take the form of more gradual correction of unfavorable influences. Conservation is entirely a local responsibility. Rehabilitation, where feasible, offers advantages of economy, speed and continuation of good neighborhood patterns, but its value should be held in proper focus, because attempts to eliminate slums by this method will be unsuccessful.

*Nashville, Tenn.*—Attempts to conserve its dwelling areas through strict zoning enforcement over the past 15 years has prevented further obsolescence or spread of blight. Rehabilitation, while a desirable undertaking cannot play too large a role because of the nature of existing slum areas. Urban redevelopment is of necessity related to complete removal of slum dwellings.

*Charlotte, N. C.*—No program of conservation and rehabilitation of housing will be successful without objective planning and zoning.

*Providence, R. I.*—Blighted "twilight" neighborhoods are being neglected. Organized and sustained governmental and citizen action is required to restore rehabilitation and conservation areas to at least minimum standards, to encourage new levels of residential comfort, convenience, and efficiency, and to insure their continued renewal and conservation.

*Los Angeles, Calif.*—Local Building and Safety Department has the responsibility of carrying on a slum clearance and "preventive maintenance" program. Estimated 40,000 units or approximately 15,000 apartment and hotel structures are classified as falling within the scope of a residential area conservation program. About 2,000 units fall from the conservation to the substandard group each year.

*San Francisco, Calif.*—The attack in the community should be on all fronts. The efforts in the different categories should be coordinated and priorities established, and the program once embarked upon should be continuing without terminal date. This is on the assumption that a continuing process of redevelopment, rehabilitation, conservation, and code enforcement is the proper concept.



*New Orleans, La.*—Present major objective is conservation and rehabilitation of neighborhoods. This is the basic method of approach to the whole problem.

*Little Rock, Ark.*—To have any real neighborhood replanning, there must be clearance as well as conservation and rehabilitation.

*Reginald R. Isaacs, Harvard Graduate School.*—Neighborhood replanning is an impossible solution for conservation. It is too small scale.

Question 4: The capacity of cities to deal with slum elimination and slum prevention effectively.

*Milwaukee, Wis.*—Slum elimination cannot be accomplished by cities within the framework of their own financial limitations because of the costs involved in acquisition and demolition of existing buildings. Slum prevention is a matter of strict ordinance enforcement and greater citizen interest.

*Puerto Rico.*—Puerto Rico does not have financial capacity to carry out slum elimination. Slum prevention can be within their capacity, however, provided there is outside aid for elimination of slums which threaten to spread into adjacent blighted areas.

*Portland, Maine.*—Financially incapable of proceeding with slum elimination without Federal assistance. Costs are too great when coupled with need for sewers, schools, etc. Portland can enforce its housing code in an attempt to prevent slums, but this is not effective without auxiliary tools such as spot clearance, parks, etc.

*Philadelphia, Pa.*—Cannot begin to accomplish slum elimination without generous Federal aid. Can begin to deal effectively with slum prevention.

*New York City.*—Cities cannot deal with slum elimination alone, so long as most of their revenue comes from real estate taxation and so long as their boundaries do not include the whole urban community. They can do more effective planning. They can strengthen the enforcement of housing and building codes to prevent slums; but these tools will not eliminate slums.

*Montgomery, Ala.*—Federal assistance on urban redevelopment program should be on a severely limited basis. Such programs should be used as a means of offsetting or stopping mass unemployment.

*Chicago, Ill., Ferd Kramer.*—Title I is the only possible salvation for the city.

*Cincinnati, Ohio.*—Where the major problem of slum elimination is financial, cities cannot supply sufficient funds. Slum elimination through enforced repair or demolition is within the capacity of cities to the extent that occupants of affected structures can find places to live within their means. Slum prevention is the responsibility and is within the capacity of every city.



*Nashville, Tenn.*—This city has exhausted its taxing ability in providing public facilities. Unless there is drastic change in basic taxing policies as related to city, county, State, and National Governments, the possibilities of financing additional slum clearance through municipal financing would be very limited. It is the responsibility of the city to prevent recurrences of slums. Enforcement of building regulations can be vastly improved.

*Charlotte, N. C.*—In most instances, all the laws that are necessary are already on the books. The question is one of enforcement.

*Providence, R. I.*—The capacity of municipalities to deal with their slum problems depends primarily upon the vigor and health of the basic business—industrial activity within the municipality. It depends further on the extent to which such activity remains within the city or is shifted to other municipalities within or beyond the region or metropolitan area. Another factor is the extent to which cities are burdened with public facilities and services which have been neglected for decades because of the lack of a general physical and fiscal plan for the growth and maintenance of the city.

The long-range total tax receipts and the level of resources devoted to housing improvement activities by a central city government probably would not rise with an increase in property tax rates. Without a metropolitan approach it is doubtful if a central city like Providence could raise its rate independently of the surrounding suburban communities which are now competing for the city's population and industry.

*San Francisco, Calif.*—Capacities of cities to deal with slums varies all across the nation. Therefore, national interest and concern is justified in the interest of strengthening the national economy and improving the productivity and livability of urban centers. The Federal establishment has a responsibility in providing leadership and guidance, to assist financially and technically, and to conduct research for cities.

*New Orleans, La.*—All cities have the capacity to deal with slum prevention. Cities cannot presently provide sufficient funds for adequate facilities and paved streets.

*Little Rock, Ark.*—Cities cannot deal with slum elimination and slum prevention in our present predicament without some outside help. Cities can, and should, hereafter assume a greater responsibility in conservation and rehabilitation than they have ever done in the past. Do not attempt to replace slum clearance and urban redevelopment with rehabilitation and conservation alone. The problem of slums in America is one that can only be handled by using all of the tools at hand—SCUR, rehabilitation, conservation, together with enforcement of local health laws and codes, and some low-rent



public housing for families that private enterprise cannot economically house when they are removed from the slum dwellings they occupy.

*Reginald R. Isaacs, Harvard Graduate School.*—Cities have little capacity to deal with slum elimination without Federal aid, but they do have sufficient strength, with State aid, to deal with slum prevention.

Question 5: Do you consider Federal assistance to be necessary, and if so, to what extent, and why?

*Milwaukee, Wis.*—Federal assistance is absolutely necessary for slum clearance and urban redevelopment. First, cities generally are unable to finance such undertakings because of limitations upon their source of revenue. Real estate is being taxed to death now. Secondly, State legislatures, rurally oriented in their thinking, as in Wisconsin, have little conception of problems of urban communities. Federal aid is not a handout. It is simply returning a small fraction of the revenues the Federal Government extracts from communities.

The method provided by Title I of the Housing Act of 1949 is about as minimal as can be regarded as being effective Federal assistance.

*Puerto Rico.*—Federal assistance is necessary, at least as much as that provided under Title I. Also a continued program of low-rent public housing is necessary.

*Portland, Maine.*—Federal financial assistance is necessary and should continue on the two-thirds-one-third basis as in the Housing Act of 1949. Assistance should be for spot clearance of dilapidated structures and for land clearance for public and private facilities necessary to make older neighborhoods competitive with newer neighborhoods.

*Philadelphia, Pa.*—Federal assistance necessary. Present program is fair and should continue.

*New York City.*—Federal assistance is needed to tap revenue sources not available to cities. Extensive studies preceded enactment of the Housing Act of 1949. The formulae arrived at reflect the findings of economists and public finance experts, as well as the play of political forces. Questions whether fresh factfinding or analytical studies would lead to strikingly different conclusions.

*Cincinnati, Ohio.*—The health and well-being of cities, as well as citizens is a national concern. Where a national problem exists, even though manifestations are local, it is a proper function of the Federal Government to adopt measures to meet it. Financial limitations of cities make it difficult or impossible for most communities to solve their own slum difficulties without assistance. Federal funds should be made available to the extent necessary to enable cities to carry out aggressive programs of slum clearance and urban redevelopment.



*Nashville, Tenn.*—Federal assistance is necessary because city taxing ability has been exhausted for public facilities. Provisions of Title I of the Housing Act of 1949 represent an equitable distribution of the financial responsibility for slum elimination.

*Providence, R. I.*—Federal assistance is imperative. Based on present estimates, it would take 60 years for the city to clear areas that are now unrehabilitable slums. With Federal assistance this can be done within 20 years. If the rate of Federal contributions to local redevelopment programs is decreased, local dollars will be diverted to competing capital improvement projects. This indicates the need for Federal dollars to encourage the municipality to direct more of its limited funds into housing, rehabilitation, and neighborhood conservation measures as well as to maintain its current slum clearance and low-rent housing programs.

*San Francisco, Calif.*—Federal assistance definitely is necessary. The extent is not now susceptible of exact measurement.

*New Orleans, La.*—Federal assistance is necessary for rehabilitation, but not as great as that required for public housing or urban redevelopment.

*Little Rock, Ark.*—The Federal Government has a responsibility to the local communities in that the problem of slums is one that affects the welfare of the entire urban population and secondly, a large portion of local taxes are paid directly to the Federal Government and can be reinvested in the community in this manner. Participation of the Federal Government as spelled out in Title I of the Housing Act of 1949 is sound. It is not the wording or the intent of the Housing Act of 1949 to restrict Federal help to communities which can afford to put up actual cash as their share of the cost of removing slums. Smaller cities and communities which have limited financial resources could not participate in the program at all.

*Kansas City, Mo.*—Slum prevention measures and, to a large extent, rehabilitation efforts are a matter of local concern and responsibility, but the enormity of the job of redeveloping blighted areas is too much to attempt without Federal assistance. Private enterprise has failed to do the job because of the staggering expense.

*Reginald R. Isaacs, Harvard Graduate School.*—Federal aid is necessary in slum clearance, but not generally for conservation.

Question 6: If you consider Federal assistance necessary, in what manner can it be extended most effectively in order to achieve the eventual goal of slum elimination and slum prevention?

*Milwaukee, Wis.*—Title I of the Housing Act of 1949 is a good start. Give it a chance to work and undertake refinements as the program progresses. Reduce the delays which can only serve to make the program more costly.



*Puerto Rico.*—Federal aids for local public housing should be granted solely for the purpose of providing rehousing required for families displaced from Title I or other slum clearance projects. In addition, there should be another type of Federal assistance for families displaced from slum clearance sites who desire and who can eventually afford home ownership, but who are unable to buy the lowest cost house now being provided by private enterprise. A careful study is required before such a program could be established.

*Portland, Maine.*—Federal assistance should be extended to communities with competent planning programs, and perhaps in inverse ratio to the numbers of public housing units available or planned. It should be extended on the numbers of units in certain categories of age or substandard conditions, and should be available in lump sums to give minimum red tape.

*Philadelphia, Pa.*—Present administrative procedures are too rigid. If the program is to be a local one, a budget should be furnished for approval by the DSCUR. If the work is accomplished within that budget, no questions should be raised, thereby permitting flexibility within such a budget. At present, rehabilitation, which is less than complete rebuilding, is not eligible for Federal subsidy under Title I. Such work is, however, a necessary part of a good redevelopment program.

There is no possibility of providing decent housing for low income families unless (1) there is an adequate public housing program, or (2) the tempo of new construction is increased to such an extent that older dwellings become available at sufficiently low rents.

A more favorable FHA mortgage insurance title is necessary to encourage home construction in redeveloped areas. Establishment of a Federal guarantee, through FHA, of Redevelopment Authority bonds issued to cover 90 percent of construction costs would encourage considerable results.

Cities cannot afford to have block after block continue to exist where half the houses have been demolished and others stand in various degrees of repair or maintenance. It is impossible for any process, other than redevelopment, to assemble these lots into usable parcels. It is also impossible to acquire property, demolish buildings and resell the land without a substantial loss unless density is greatly increased or use changed.

Anyone who feels that large-scale urban redevelopment can be accomplished in slum areas without substantial subsidies, is denying economic facts and the patent intent of the Housing Act of 1949.

*Chicago, Ill.*—*Ferd Kramer and George H. Dovenmuehle.*—The New York Life project in Chicago has shown beyond any reasonable



doubt, that redevelopment programs cannot be worked out without some public housing for relocation purposes.

*Cincinnati, Ohio.*—Provisions for financial aid should have sufficient flexibility to permit the development of effective local programs and allow meeting various local conditions: (1) Loans and grants for clearance and redevelopment, rehabilitation, or combinations of slum treatment methods based on needs of individual communities; (2) stimulation of moderate rental housing by minimization of the hazards of long term investment during periods of high construction costs; (3) subsidies or grants for housing the lowest income group; (4) mortgage insurance guarantees related to specific slum elimination methods, including financing of redevelopment construction, rehabilitation and repair financing, and sale and rental financing for dwellings for displaced families.

*Nashville, Tenn.*—Federal assistance could be used more effectively by a new FHA title which would provide specifically for housing to serve the lower income groups. There should also be a system of FHA assistance for rehabilitation of existing buildings through private ownership, and through Title I of the Housing Act of 1949, to localities for rehabilitation of existing neighborhoods.

*Providence, R. I.*—(1) Recognition at the Federal level that an adequate, balanced supply of standard new and used housing for families of all incomes must be maintained in the interests of the health, safety, and welfare of the Nation and its people.

(2) The problem of urban housing is a metropolitan problem, and a comprehensive attack on it requires a metropolitan area-wide approach.

(3) Never stop seeking to know more about the cause and cure of urban blight. An essential is a sustained research program in housing and planning. This research program should be operated at the Federal level, or competent technological schools should be encouraged to expand their research programs through Federal assistance.

(4) Each municipality and metropolitan area which endeavors to improve and increase its housing supply and to eliminate and prevent slums in conformance with a sound and accepted general plan should be assured to a dependable Federal housing policy, consistent Federal housing administration, and sustained Federal participation in local housing programs.

As a counterpart to these principles, each locality might be expected to show evidence that: (a) The locality is participating to the best of its ability in the development of a plan and housing program for the metropolitan area; (b) a comprehensive housing program for the community has been prepared; (c) the general plan for the com-



munity is sound and is being utilized and maintained; (d) municipal expenditures for slum elimination and prevention work are being made within the framework of a capital improvement program; (e) an efficient municipal administrative organization is being developed; (f) neighborhood plans for specific housing areas in need of assistance are being developed, and the proposed housing improvements are being scheduled in conformance with the plan.

*San Francisco, Calif.*—The present program proceeding under Title I of the Housing Act of 1949 is considered adequate provided that further implementation of rehabilitation, conservation and code enforcement measures are strengthened, and provided further that the integral and fundamental issue of how families unable to find housing for rent or purchase without subsidy is firmly joined and affirmatively settled.

*New Orleans, La.*—Assistance to cities would have to be provided on a long term credit basis proportionate to the amount the city itself can and will expend for utilities and streets in direct connection with housing rehabilitation. A "must" is the liberalization of FHA requirements, primarily in FHA Title I loans. These loans must be made easier to obtain.

*Little Rock, Ark.*—The Housing Act of 1949 represents 15 years of study of the problem on a nonpartisan basis and is the best method now available for the use of Federal funds. The administration of this program is the thing that should receive attention now rather than a change of program by new legislation.

*Kansas City, Mo.*—Federal assistance is needed and to be more effective should be extended in the following manner:

(1) Public housing is perhaps the most important single phase of the slum clearance and prevention program. It is the key to the entire program. Without a place to relocate low-income families the program is in danger of not getting beyond the planning stage. Therefore, a continuation of the public housing program is required.

(2) Chief criticism at present concerns the unreasonable delays in DSCUR in getting definite policy decisions regarding Title I projects.

Question 7: If you consider Federal assistance unnecessary or undesirable, how do you think slum elimination and prevention can be achieved?

*Milwaukee, Wis.*—No community can undertake a slum clearance program without Federal aid.

*New York City.*—No valid reason why Federal aid is "undesirable". Some aid is needed to supplement the resources of the cities; there is no evidence that more than 1 or 2 States would be prepared to give it.



Continued and accelerated Federal aid is needed, not only under Title I of the Housing Act of 1949, but under its other titles too.

*Montgomery, Ala.*—Federal assistance should be on a severely limited basis with economic timing, because further efforts and study should be given to methods whereby individuals, groups, and private institutions might be encouraged to do more in this field.

*Charlotte, N. C.*—Federal assistance has been overworked in the past decade. Perhaps Federal help in research and planning, but not beyond.

*Providence, R. I.*—Under the present tax system, the granting of Federal financial and technical assistance is necessary and desirable. However, a strong case could be presented for a reorganization of the tax structure coincident with the administrative reorganization that would be necessary to make fully effective a metropolitan attack on the problem of urban slums, blight and replacement housing. But until such time as the present overlapping, conflicting and confusing non-Federal jurisdictions are welded into a more efficient structure, it does not appear advisable to suggest that the Federal Government relinquish its hold on the tax dollar or shift from itself the resultant responsibility for concern with protecting the health, safety, and welfare of urban people.

*San Francisco, Calif.*—Without Federal assistance it is believed that leadership and initiative may be lacking to an extent imperiling the entire program. The bulk of local programs doubtless would be abandoned. Concepts, techniques, and procedures have been designed which are inoperable without continued central overall responsibility, objective and technically competent guidance.

*Little Rock, Ark.*—Federal assistance is necessary.



REPORT OF THE SUBCOMMITTEE ON HOUSING FOR  
LOW-INCOME FAMILIES

APPENDIX 3

Report of the  
Subcommittee on Housing for  
Low-Income Families

December 3, 1953

ERNEST J. BOHN, *Chairman*

BRUCE C. SAVAGE

JAMES G. THIMMES

PAUL R. WILLIAMS

BEN H. WOOTEN

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LAWRENCE N. BLOOMBERG, *Staff Adviser*

MILTON B. DAVIS, *Executive Secretary*



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

December 3, 1953.

MR. ALBERT M. COLE,  
*Chairman, President's Advisory Committee on Government  
Housing Policies and Programs,  
Washington, D. C.*

DEAR MR. CHAIRMAN: We are pleased to submit to you the Final Report of the Subcommittee on Housing for Low-Income Families, which was unanimously adopted by this Subcommittee.

Sincerely yours,

ERNEST J. BOHN, *Chairman*  
BRUCE C. SAVAGE  
JAMES G. THIMMES  
PAUL R. WILLIAMS  
BEN H. WOOTEN



## REPORT OF THE SUBCOMMITTEE ON HOUSING FOR LOW-INCOME FAMILIES

At the first meeting of our Subcommittee, September 30, 1953, we defined the scope of our work so that we would have clearly in mind the problem confronting us. For the purposes of our study and recommendations, we decided to define low-income families as "those families who cannot afford to rent or purchase the private housing of acceptable standards, either new or existing, which is being made available in their communities." It was apparent to us that no single dollar income figure would suffice to describe low-income families in the country as a whole. The national housing problem is a summation of local conditions which vary from place to place, depending not only upon the incomes of families but also upon the cost of living, the condition of the housing supply, and the ability of private enterprise to provide standard housing at rents or sales prices families can afford.

It had been decided by the Executive Committee that the Committee would limit its consideration to nonfarm families. Our Subcommittee, however, recognizes the seriousness of the problem of adequate housing for low-income farm families but because it is so tied to farm production we believe it might better be considered as part of that process. We are, however, attaching a summary of the various farm housing programs of the Federal Government (see Exhibit 22).

It was apparent to us at the outset when we planned the work of our Subcommittee that it would be impossible for us in the time available to make again the kind of review of the problem of housing for low-income families that the Congress made during the nearly 5 years prior to the enactment of the Housing Act of 1949. We have reviewed the evidence which the various Congressional Committees assembled and the various proposals and recommendations made since that time.

Letters were sent to 76 organizations and 21 Federal and local housing officials and former housing officials requesting their recommendations on a program for low-income families (see Exhibits 23 and 24). In our letters, we requested the various organizations and persons to "consider the present Government-aided housing program for low-income families as contained in the Housing Act of 1949, in terms of its *effectiveness, modification, expansion, or curtailment, and any additional or alternative programs* in which you feel the Government



should participate. Your recommendations will be helpful to the Subcommittee if they are supported by facts and indicate clearly and specifically how they will meet the needs of low-income families."

### THE PROBLEM OF HOUSING FOR LOW-INCOME FAMILIES

Our Subcommittee did not attempt to make a refined estimate of the number of low-income families who were living in substandard housing. Data furnished us indicated that within wide limits of treatment and assumptions the number of such families is so large as to represent a serious problem for the foreseeable future. As a point of reference we also had before us data from the 1950 Census of Housing. These data showed (see Exhibits 1, 2, and 3) that there were some 11.7 million nonfarm dwellings which were dilapidated or were deficient in plumbing facilities. Of these, 10.6 million were occupied, with 6.1 million located in urban areas and 4.5 million in rural nonfarm localities.

Although between 1940 and 1950 there was a substantial increase in the number of nonfarm dwellings with standard facilities, there was little change in the number of dwellings which had deficiencies at the beginning of the period. In 1940 there were 21.1 million nonfarm dwellings which had a private indoor flush toilet; this number had grown to 30.6 million in 1950. But during this period, the number of nonfarm dwellings *lacking* a private flush toilet actually increased from 8.1 million in 1940 to 8.4 million in 1950. Similarly, nonfarm dwellings without a private bathtub or shower remained virtually unchanged; extreme overcrowding as measured by  $1\frac{1}{2}$  or more persons per room showed a small absolute increase to just over 2 million dwellings in 1950.

Our Subcommittee is particularly conscious of the deplorable housing conditions of the families of minority groups. In 1950, nearly 70 percent of nonwhite families lived in dwellings which were dilapidated or were deficient in plumbing facilities. This is nearly three times the proportion of white families living under such conditions.

In 1951, the last year for which data are now available, one-half of the some 35 million nonfarm families of 2 or more persons had incomes of less than \$3,900 (see Exhibit 5). There were 3.8 million families with incomes less than \$1,500 and 8 million families who had \$2,500 or less. It should be noted that income in the year 1951 was the highest on record to that time.

Our Subcommittee believes that our country which has the highest standard of living in the world, indeed the highest the world has ever known, cannot permit a substantial number of its citizens to live in



filth and squalor, in hovels which health laws for the protection of our people would not allow for farm animals.

The economic, social, and political structure of our Nation has the ability, the ingenuity, and the tools to forge a decent standard of living for all our people. And as President Eisenhower recently said in New York at the dedication of a public housing development for low-income families:

Each of us has a very definite part to play in everything that is here because that is the heart of America. In it we expect to see living happy families, families who because of their standard of living are our Nation's best weapon against communism. More eloquent defense against that insidious doctrine than the most eloquent tongue of any lawyer, preacher, or teacher. A more sure defense than any battleship or any plane or any gun or any bomb of whatever kind. That is the kind of thing that will preserve this Nation.

We cannot emphasize too strongly that adequate housing for minority groups represents one of the most important and most difficult segments of the entire housing problem. Generally low incomes, almost universal lack of available sites, frequent lack of mortgage finance and a tradition of neglect of their market complicate the housing problems of minorities. Although public housing for low-income families has improved the quality of shelter available to minority groups and produced a significant volume of new standard housing for them, it alone cannot meet the situation. Private enterprise, too, needs to join in providing housing facilities open to minorities. The Federal Government in cooperation with local civic, government, business, and labor leaders must develop tools and programs to remove the roadblocks in the way of a solution of this serious problem.

Our Subcommittee believes that private enterprise should be relied upon to the maximum extent possible in the solution of the problem of adequate housing for low-income families. The recommendations which we are making will, we believe, enable private enterprise to operate in the low-income field to a greater extent than it has been able to do thus far. We believe, however, that the public housing program for low-income families as contained in the Housing Act of 1949, with such changes as we shall recommend, is an essential part of a program for low-income families and must be continued. It is the sincere hope of our Subcommittee that over the long term a solution of the problem of housing for low-income families will be found both in the ability of private enterprise to reach a lower and lower income group and by the raising of substandard incomes through greater productivity of our people. We recognize, however, that even then there will be a hard core of low-income families—the aged, the broken families, the incapacitated—who may represent a



continuing housing problem for whom public housing assistance may be needed if they are to live in keeping with our accepted American standard of living.

*Recommendation No. 1:*

We recommend amendments to the National Housing Act, administered by the Federal Housing Administration, to provide for FHA insurance of notes and mortgages on liberal terms for the rehabilitation of sound existing structures; we further recommend that the necessary provisions be included in such legislation to assure that unreasonable rental increases will not follow.

We believe that the existing supply of private housing should be used to the fullest practicable extent to meet the needs of low-income families. Our recommendation for new FHA legislation to facilitate rehabilitation is aimed at a widespread use of existing housing. It is not limited to urban redevelopment areas nor is it intended particularly to provide relocation housing for families displaced by slum clearance operations. The need is so great and the supply of decent housing within the means of low-income families so short that every existing structure which is basically sound and for which rehabilitation is feasible economically and community-wide should be fully utilized to meet part of the need.

It is essential in the rehabilitation of existing structures that rentals are not increased beyond the means of low-income families living in them. If this should happen, it would merely accentuate the problem, not help to solve it. We recognize that owners are entitled to increased rents on the basis of their additional investment. To the extent that the new rentals can be afforded by low-income families rehabilitation will aid in providing standard housing within their means. In any event, however, we believe that in granting FHA insurance there must be a protection against unwarranted rental increases, much as we dislike all forms of control.

There must be insistence on vigorous law enforcement of minimum health and safety and occupancy standards for housing. The prosecution of these laws will require a vast amount of rehabilitation and of demolition. While law enforcement may increase the supply of standard housing through forced rehabilitation, its overall effect will inevitably be to reduce the total supply because of the demolition of dwellings which it is not feasible to rehabilitate. Moreover, the enforcement of occupancy standards will require families to move out of overcrowded dwellings and thus increase the need for additional housing.

As much as we wish to place reliance upon the use of existing housing to meet the problem we recognize that rehabilitation in blighted



areas in and of itself can provide for only a limited segment of the housing needs of low-income families.

*Recommendation No. 2:*

We recommend a new section of Title II of the National Housing Act, administered by the FHA, applicable to new single-family dwellings which would permit FHA insurance under the following conditions:

1. The amount of the mortgage shall not exceed \$7,600, except that the Commissioner shall have the power to increase this to \$8,550 in areas where he finds that construction costs require this amount of mortgage.
2. The mortgage shall not exceed 95 percent of value, bear interest at the same rate as mortgages under Section 203, with the FHA insurance premium and any service charge to be determined.
3. The mortgage may be for a maximum term of 40 years.
4. Monthly payments equal to 10 percent of monthly payments on interest and principal shall be made to the lender and held in trust for the maintenance of the property.
5. The estimated total annual housing expense (as defined by the FHA) shall not exceed 20 percent of the mortgagor's annual income (as defined by the FHA).
6. In order that these homes may be constructed on an efficient basis, FHA commitments may be issued for groups of homes not exceeding a certain number unsold at any time.
7. The term of FHA debentures under this section should be the same as the unexpired term of the mortgage and should bear interest at the then current rate on Government bonds.

In addition, we recommend that FNMA, or some similar Government-sponsored financial corporation, be placed in readiness with specified limitations as to aggregate amount for the purpose of the inauguration and testing of this new program.

In addition to a reliance to the maximum extent possible upon existing housing, we believe that it is absolutely essential that there be an expansion of the housing supply for low-income families through new construction. The growing indications of the feasibility of large-scale production of low-cost houses are encouraging. Such low-cost houses offer a possible immediate vehicle for housing families in the upper end of the low-income group and the lower middle income families for whom there is presently very little production. If the production of these houses is further developed, it may well pioneer private industry's meeting the housing needs of even lower income families.



Our objective in making this recommendation is to further private enterprise's activity in the low-priced housing field and to create a vehicle through which families of lower incomes can purchase their own homes. It is a progressive program predicated upon gradually stepping up the opportunities of subsidized tenants to become home owners.

Our Subcommittee wants it to be clear that our recommendation as to the new FHA section above is aimed at the problem of low-income families generally. We do not view it as a relief, welfare, or subsidy proposal but entirely as a means of assisting private enterprise to meet a greater part of the need. We feel that it might be possible through this device for private enterprise to serve low-income families who are presently in the "no man's land" between private and public housing, who become ineligible to remain in public housing through increased income, and even to serve a substantial number of families who would otherwise be eligible to remain in public housing.

Although we have recommended extending the term of mortgage to 40 years, we have recommended that a down payment of at least 5 percent be required. It is our belief that at least a small down payment should be required so that the borrower has some equity in the property and will thus have an increased responsibility toward the property and toward the obligation he is incurring.

Our recommendations are intended to make home ownership easier for a lower-income group. We believe, however, that it is particularly important that these lower-income families are not encouraged to buy beyond their means. We have therefore provided that the estimated total monthly housing expense shall not exceed 20 percent of the borrower's income. This is not only a protection to the borrower but also to the lender in a transaction with such liberal credit terms.

We do not believe that necessary FHA minimum standards applicable under Section 203 should be lowered to reach the lower-priced market. In fact, we oppose the lowering of standards which would affect the soundness of the structure or the neighborhood environment because we would simply be recreating the problems we are now struggling to solve. Since we are recommending a term of 40 years it is obvious that only high quality materials and workmanship should go into these houses and that every encouragement should be given to their proper maintenance. We have, in fact, provided for the accumulation of a fund to be available for maintenance.

In recommending that a Government-sponsored financial corporation be placed in readiness to assist in this program we recognize that private enterprise is understandably slow to take advantage of untried financing methods, yet it always responds when practicability and sureness of payment have been proven.



*Recommendation No. 3:*

We recommend continuation of the public housing program for low-income families as contained in the Housing Act of 1949 with such legislative and administrative changes as we shall propose below as an essential part of the overall housing program of the Federal Government. It is understood that the number of units to be contracted for during any particular period is a matter for Administration recommendation and Congressional action.

After an exploration of such alternatives as were proposed to our Subcommittee and our own review of the existing program, we are convinced that the program of public housing for low-income families as contained in the Housing Act of 1949 should be continued. The Congress authorized under the provisions of that Act a program of 810,000 dwelling units for low-income families to be made available at the rate of 135,000 dwelling units per year for 6 years. In 1950, after the outbreak of hostilities in Korea, the President reduced the rate to 75,000 units per year. In 1951, through the Independent Offices Appropriation Act and without amending the Housing Act of 1949, the Congress reduced the program to 50,000 units for that year; in 1952 to 35,000; and in 1953 to 20,000 units out of existing authorizations. Thus, by June 30, 1954, just about 200,000 units of the 810,000-unit authorization in the basic law, or around one-fourth, will have been completed or under construction.

We believe that one of the important reasons for continuing the public housing program for low-income families is to provide relocation housing for families displaced through urban redevelopment, rehabilitation, and law enforcement programs. Official data presented by the Housing and Home Finance Agency to the Subcommittee on Urban Redevelopment, Rehabilitation, and Conservation show that just about one-half of the families displaced by redevelopment operations under Title I in the continental United States are eligible for public housing under existing income limits for admission. The problem of relocation is particularly difficult for minority groups. While about 45 percent of displaced white families are eligible for public housing, over 55 percent of displaced minority group families are within the public housing income limits.

**RENT CERTIFICATES**

The only alternative to public housing presented to our Subcommittee was a "rent certificate" plan or some variation thereof. Over the long history of considering housing legislation the Congress was on many occasions asked to consider a "rent certificate" plan. A general description of the plan and the legislative history of such



proposals is found in Exhibit 21. From 1936 to 1949 a number of witnesses appeared before Congressional Committees advocating "rent certificates" as a substitute for the construction of public housing for low-income families. The record shows that there was no favorable action on this plan by any Committee or by either the House or Senate.

Our Subcommittee realizes that because a proposal has been rejected in the past is no reason why it should not be considered in the light of current conditions. Our examination shows, however, that the proposals we have received do not contain any changes which would make them any more acceptable than those which were rejected in the past. Nor do we believe that present conditions of the economy or of the housing market make "rent certificates" any more desirable or acceptable as a solution of the problem of housing for low-income families.

We believe that we should point out in this report some of the more conspicuous changes in the original "rent certificate" plans which were proposed to us.

It was proposed that needy families "temporarily unable to pay economic rents for minimum safe and sanitary housing, be assisted by local charity and the municipality through endorsement of notes which such families would give for portions or all of their rent which, for adequate and ascertainable reasons, they cannot currently meet. \* \* \* As our housing supply grows in relation to our population, and as older properties are being modernized, it is becoming easier for families of small means to rent adequate quarters. It is necessary, however, that some provision be made for those emergencies, due to illness, unemployment or disability which are temporary and which make it difficult for families at times to pay their rent. This suggestion is intended to meet that temporary need."

Another variation of the "rent certificate" plan proposed to our Subcommittee involved 100 percent direct loans by the Federal Government to private builders. "For a long period of years, all units constructed under this plan shall remain under control of Government and be made available for occupancy of needy families, ultimately to be turned back to the project owner, as and when the need for such units for needy family occupancy diminishes or ceases, but in no event longer than an agreed term of years (perhaps 25 to 30 years)." A fair rental value would be established and "the difference between normal rental and the rent the tenant is able to contribute, to be provided by existing relief agencies in the form of rent certificates."

At the expiration of 25 to 30 years, the housing development is to belong free and clear to the original developer or his estate. "It is this plan of *future estate building* that will create the necessary incentive to provide almost numberless needy family housing units." During



the period of operation it is proposed that a modest management fee be paid the private developer and that if and when surplus reaches an "unnecessary" total that a reasonable part may be used to anticipate principal payments or, it might be used to reduce tenants' payments or relief contributions or, a part of the surplus "might be paid to the builder as a bonus for good management, thus creating *incentive* to encourage large volume construction under the plan."

In an illustrative example attached to this plan it was estimated that the capital cost of a two-bedroom unit would be \$12,000 (with no profit to the builder) and that rents would be \$85 per month with "the tenant to pay for own fuel, gas and electricity."

One of our principal objections to the "rent certificate" plan is that it would create a "dole" for housing. Every responsible social service agency has opposed it on this and other grounds. (See Exhibit 21.) We have always, to the greatest extent possible, avoided a "dole" in this country as being degrading to the individual. Money invested in public housing, on the other hand, adds permanent wealth to the community and to the Nation which can be liquidated and the investment recaptured when the need disappears.

A "rent certificate" plan would cause a vast number of families to go on relief despite the fact that it is only decent housing that they cannot obtain for themselves.

Another objection is that "rent certificates" will not add to the housing supply. Even if they could be used only for standard housing, as some of its advocates now urge, we cannot see any expansion of the supply of decent housing on a tenuous expectation that a rent subsidy will be forthcoming and continued from year to year until the investment is amortized.

Furthermore, there is no way of limiting the application of a "rent certificate" plan and its aggregate cost would be far greater than the public housing program contained in the Housing Act of 1949. For its proper administration—inspection of dwellings, adjudications of disputes between landlords and tenants, certification of reasonable rents, the continuous selection and constant checking upon a vast number of tenants—there would be required such a tremendous organization that the program would fall of its own weight.

Some of its proponents have advocated that a "rent certificate" plan be conditioned upon the enactment and enforcement of local building, health and sanitation laws. Since such laws must be uniformly applied, the problem arises as to what is to be done about the low-income owner-occupants of substandard housing who cannot afford the rehabilitation required. It would probably be necessary to provide some equivalent of a "rent certificate" for low-income owners to enable them to repair their properties. In this case, the owners would be



receiving a subsidy toward the building up of an equity which they could dispose of for cash.

Finally, we doubt if private enterprise would be willing to undertake such a program on a large scale with the vast amount of restrictions, investigations, and checking which would be necessary in its administration in the public interest.

#### CAPITAL GRANTS

While not an alternative to the public housing program for low-income families, it was recommended to our Subcommittee that we should consider the possibility of "capital grants" as a substitute for the "annual contributions" method of assistance contained in the present law. For a description of how the present program operates, see Exhibit 17. It should be pointed out that a form of capital grant is already provided, as an alternative to annual contributions, in the original Housing Act of 1937 (Sec. 11). This method has never been used because of its impracticability.

The advantages claimed by proponents of a capital grant system is that it would cost less and that the Congress would not have to commit future Congresses to annual contributions. We do not believe that this contention is valid nor that the capital grant system as an alternative method would be desirable. We are particularly of this opinion in the light of our Recommendation No. 4 below in which we are proposing an amendment to the existing law which would make the public housing program for low-income families possible of self-liquidation over a period of years.

There is no possibility of recovery on an outright capital grant. On the other hand, under the annual contributions method only enough is paid each year to make up the difference between operating expenses, including interest and repayment of principal, and what low-income families can afford to pay. As the incomes of residents in public housing rise they are charged a greater rent and the cost to the Federal Government of annual contributions declines proportionately. Although it is estimated that the proportion paid by the Federal Government will increase in the future, the fact is that over the past thirteen years the Government has paid in contributions only about 44 percent of debt service. To the extent that annual contributions are less than debt service, if for no other reason, this method is less expensive than an outright capital grant system.

It has been suggested that it might be possible to provide in a capital grant system that any net revenue or proceeds from a possible sale of the development would be returned to the Federal and local governments in proportion to their contributions. This procedure would eliminate one of the principal claims for economy for a capital grant



system, since there would have to be continued administrative control on the part of the Federal Government. Recovery of net income on the modified capital grant basis would require the same amount of administrative control as under the annual contributions system and would be infinitely more difficult to achieve.

As to the contention that capital grants would relieve the Congress of future commitments, we believe that this would merely change the form of the commitment and make it more expensive.

If the Federal Government gave a capital grant it would have to finance the cost through issuance of its own bonds on which it would have to continue debt service at a fixed amount over the life of the debt. Thus, the Congress, even in a capital grant system, would commit future Congresses to appropriate funds to service the debt.

We cannot see the possibility of paying for capital grants out of current revenues for if Government receipts should exceed expenditures, the surplus ought to be applied to reduce the present outstanding debt. Public housing for low-income families is a long-term investment. Its use will extend over many years in the future. Many different families will live in the housing. By any test of equitable consideration the cost of the housing should be distributed over the time it is being used in the public interest to house low-income families rather than be imposed upon the taxpayer at the time the housing is constructed.

Finally, we do not believe that the public debt should be increased through the issuance of Federal obligations to finance capital cost.

### LEGISLATIVE RECOMMENDATIONS

#### *Recommendation No. 4:*

We recommend that in order to make public housing for low-income families possible of self-liquidation the present law be amended to provide that after the capital cost of the housing has been amortized by the local housing authorities and the Federal annual contributions cease, any net revenue from the housing or the proceeds of any sale be returned to the Federal Government and the local communities in proportion to their respective contributions; no new debt, except for necessary expenditures on the property, would be permitted and rents would continue to be related to the income of the residents. We recognize the sanctity of contracts already entered into, but we recommend that through negotiations an attempt be made to reach mutual agreements whereby this same principle of repayment could be applied to public housing already under contract.



The present law provides that when the bonds issued to finance the capital cost of public housing have been paid off and the Federal annual contributions cease, the housing is retained free and clear by the local housing authorities. We believe, however, that this housing should be self-liquidating and that after 40 years the contributions made by the Federal Government and those made by the localities through partial tax exemption should be returned to the fullest extent possible.

The useful life of this well-constructed housing, well maintained as it should be, will extend far beyond the 40 years' life of the bonds. There is no reason why the housing should not have a useful life of 80 or more years. Even at the end of its useful life there will be salvage in its materials and a very substantial worth to the land. If there were no need after 40 years to continue the housing for low-income families, it would be sold, and the repayment to the Federal and local governments of their investments would be accomplished more promptly.

We are here recommending a completely new approach to public housing with a new provision of the law that will make possible an eventual liquidation of Federal and local investments. After 40 years the local authorities will begin to pay back to the Federal and local governments, in proportion to their contributions over the period, any net revenues derived from operations or any proceeds of sale. Our amendment would prohibit any new debt against the housing after 40 years and would require that rentals continue to be related to the incomes of the residents, or if there is no continuing need for public housing for low-income families the housing should be sold promptly.

*Recommendation No. 5:*

We recommend the Housing Act of 1949 be amended to provide that as a condition of extending assistance to localities for public housing for low-income families there must be a showing by the local community that there is a program under way to improve the existing private housing supply through enforcement of building, health, and sanitary laws.

Our subcommittee believes that the Federal Government should not assist in the provision of public housing for low-income families except as a part of a larger program for the general improvement of housing in the community. We believe it is imperative for every means to be fully utilized to rid our cities of slums and blight and to provide good housing in a suitable living environment at rents or sales prices our families can afford.



It should be noted that our proposed amendment would provide an additional incentive for the general improvement of slum and blighted areas in localities which do not have an urban redevelopment program under Title I of the Housing Act of 1949 but wish to undertake a public housing program for low-income families.

*Recommendation No. 6:*

We recommend that the preferences for otherwise eligible families displaced from slum clearance or urban redevelopment areas contained in the Housing Act of 1949 be extended to eligible families displaced by other public undertakings which result in the demolition of dwellings, such as new highways, bridge approaches, street widenings, the demolition of temporary war housing, or condemnation through local health or sanitary laws.

We believe that this amendment will bring a closer coordination between public housing for low-income families and a program of general civic improvement. We think that the present preferences are too narrow, restricted as they are effectively to programs under or similar to Title I. There are many other public activities such as those mentioned above which cause families to be forcibly displaced. In particular we believe that if there is going to be a large-scale law enforcement program, resulting in the closing or condemnation of substandard dwellings, the rehousing of families living in them must be facilitated.

Our amendment would give flexibility to local housing authorities in the establishment of preferences at any given time. This would permit the giving of a preference for a particular local activity under way at the moment and terminating the preference when it is no longer needed. We would permit local housing authorities to reserve a given number of public housing units for the rehousing of families displaced from the site of a specific project.

Preferences for families of veterans and servicemen contained in the present law would be retained as a first preference within any preference groups which are established.

*Recommendation No. 7:*

We recommend that the Housing Act of 1949 be amended to provide:

1. that the present authorized payments in lieu of taxes at 10 percent of shelter rents be made mandatory, provided that the local contribution through tax exemption must be at least 20 percent of the Federal contribution, or



2. that where State laws permit and localities so desire, public housing for low-income families may be subject to full taxes provided that the locality agrees to pay in cash the difference between full taxes and 10 percent of the shelter rents, so long as there is a Federal annual contribution, and
3. that where the local contribution is through tax exemption the amount of the full taxes which would have been levied if the housing were privately owned and the payments in lieu of taxes received be made a matter of public record.

It was the intent of the Housing Act of 1949, as well as the earlier United States Housing Act of 1937, that the public housing program for low-income families be a joint program of the Federal and local governments. In this joint program it was properly provided that the public housing be exempt from local taxation, as are all other properties used for a public purpose, but that a reasonable payment be made for municipal services. After much study the Congress provided in the Housing Act of 1949 that the local authorities should pay 10 percent of the shelter rents as a payment in lieu of taxes to the locality. (See Exhibit 17.)

It has been recommended to our Subcommittee that this formula be changed to provide that full taxes be paid and that a remission of the taxes be made through appropriations of the local communities. It was also recommended that should the present formula be continued, the payment and the local contribution both be made certain and definite and understandable.

Our Subcommittee has devoted considerable time to the recommendations on taxes and believes that our proposals satisfy the objectives of those concerned about this phase of the program.

First, we believe that our Recommendation No. 4 above meets one of the principal objectives since the local community will ultimately be paid back, insofar as possible, the contribution which it has made through partial tax exemption.

Second, there was a question raised before our Subcommittee concerning the obligation of the local housing authority to make payments in lieu of taxes. We have met this question through our amendment making such payments mandatory.

Third, we have provided in our amendment for a choice to the locality either to continue the present system of contributions through partial tax exemption or to require the payments of full taxes provided that the locality agrees to appropriate to the local housing authority an amount equal to the difference between full taxes and 10 percent of the shelter rents.



Finally, we have provided that if the locality chooses the method of making its contributions through partial tax exemption that the amount of full taxes which would have been levied if the housing were privately owned and the payments in lieu of taxes received be made a matter of public record. This, we believe, meets the objective of making the amount of the local contribution certain and known.

### ADMINISTRATIVE CHANGES

We have received many recommendations for the improvement of the present program, for the elimination of alleged weaknesses and abuses, and for carrying out the original intent of the Housing Act of 1937, as amended in 1949. Most of these recommendations do not require changes in the law but are purely matters of administration. The present Commissioner of the Public Housing Administration is cognizant of the situation and has informed our Subcommittee that he is taking, and will take any further, necessary steps.

#### *Recommendation No. 8:*

We recommend the use, where feasible, of existing sound structures, with rehabilitation if necessary, instead of relying solely upon new construction.

We believe that wherever possible there should be full use of rehabilitated existing sound structures for public housing for low-income families. This has always been possible under the existing law but the provision has not been utilized. Our Subcommittee believes that where it is economically feasible to rehabilitate sound existing structures and where their use fits where necessary into an overall plan for neighborhood improvement and conservation that rehabilitation should be considered before any new construction is authorized.

#### *Recommendation No. 9:*

We recommend that, wherever feasible, public housing should be built at lower densities.

Our Subcommittee received complaints that densities of public housing developments are too high. Where housing was developed on slum sites the densities sometimes were increased two-fold. The principal reason for this is the high cost of slum sites and the desire to keep unit costs within reasonable bounds. We believe, however, that it is short-sighted economy to make savings in site cost at the expense of developing crowded and congested projects which are not too well accepted in some localities.

One of the methods of lowering densities of public housing would be to make sites available through Title I where there is a write-down in cost to the use-value of the site. We believe that it was fully in-



tended in the Housing Act of 1949 that some urban redevelopment sites be made available for public housing for low-income families.

We believe that in any event the densities of public housing developments should be reduced. The Public Housing Administration should keep a separate record of slum clearance cost and show it as a lump sum for the project and not try to prorate it as part of the cost of dwelling units.

*Recommendation No. 10:*

We recommend that public housing developments be smaller and that possibly scattered sites be used for individual dwellings.

Many developments in the existing program are entirely too large. We recognize that this is due in part to an attempt to establish a decent neighborhood for developments set down in slum areas and surrounded by substandard housing. Another reason advanced for large developments is economies in construction and management although this has never been clearly demonstrated.

It is our belief that smaller developments and even scattered dwellings would be much better for the localities and for the residents.

It was recommended to our Subcommittee that public housing projects be designed so that the dwellings could eventually be sold to families who become ineligible for continued occupancy. While we believe that future projects should be designed so that they could be sold if they are no longer needed for low-income families we do not believe in a general sales program to families who become ineligible.

We are in sympathy with the general objectives of the proponents of this proposal in that we believe that they have a genuine desire to permit families to remain in their dwellings if they should wish to do so, even if their incomes increase beyond the limits for continued occupancy. We believe, however, that this problem should be met through our Recommendations No. 1 and No. 2 for the expansion of private enterprise both through rehabilitation of sound existing structures and the construction of new housing. We believe that additional standard housing is the answer to this problem and we should not dispose of any of the limited supply of public housing for low-income families as long as it is needed. If there is a continuing need and a unit is sold it merely means that another public housing unit would have to be constructed.

*Recommendation No. 11:*

We recommend that design of developments conform more closely to local dwelling patterns and construction practices.

It has been brought to the attention of our Subcommittee that all too often, public housing developments are completely different from



the type of dwellings customarily built in a locality, are lacking in domestic scale and design, and use of materials, and thus stick out in their neighborhoods as "projects" rather than homes.

Single-family homes have been consistently refused approval and even twin houses have been turned down in most cases. Single story houses have also been discouraged although in many localities they are the customary type of dwelling. Density requirements have not permitted giving families in smaller localities the land which they are accustomed to have for gardening and family use.

We recognize that the requirements which have been imposed were largely an attempt to hold capital costs to a minimum. We believe, however, that the use of types of construction familiar in a locality may well offset other increases. Moreover, we believe it is certainly arguable that the changes advocated would result in the residents being able to assume greater responsibility for the maintenance of their homes and thus reduce operating costs and consequently annual contributions of the Federal Government.

Project design, construction methods, and materials have sometimes been employed which are not usual in other local dwelling construction. We believe that if these conformed more to local practices it would be possible for local authorities to secure bids not only from the larger private construction companies as at present but also from private operative homebuilders who do not now bid generally on public housing developments.

We believe, furthermore, that there should be a full exploration of the possibilities of using mass-produced houses for public housing developments.

*Recommendation No. 12:*

We recommend that more attention be paid to the problems of the aged, both in the design and size of dwellings.

Our Subcommittee is impressed by the information given us on the particularly difficult plight of the aged in finding adequate housing within their reduced means. Data for 1951 (see Exhibit 5) show that one-half of the 3 million urban families and a similar proportion of the 1 million rural nonfarm families with the head of the family 65 years or more had incomes of less than \$2,629 and \$1,307, respectively. For families of all ages, half of the urban families had incomes less than \$4,071 and half of the rural nonfarm families had less than \$3,365. For aged individuals living alone, or with others who were not related, half in urban areas had incomes of less than \$711 and half in rural nonfarm places had less than \$478 incomes.

The aged are becoming an increasingly more significant part of the population as medical science has found the means of keeping



more persons healthy to an advanced age. Since earning power is greatly reduced and more reliance has to be placed on old-age pensions, the older families are becoming a far larger part of the problem.

It is generally recognized that the public housing program for low-income families is particularly important for children in their formative years. For this reason, local housing authorities have paid particular attention to the provision of housing for families with children, and have taken care to provide units for relatively large families.

Our Subcommittee recognizes the need of decent housing for families with children. We believe, however, that greater attention must be paid, both in the design and size of dwellings, for the aged whose housing needs are also acute.

*Recommendation No. 13:*

**We recommend that the present method of financing the capital cost of public housing with funds from private investors be retained.**

It has been recommended to us that it might be more desirable for the capital cost of public housing for low-income families to be financed by the U. S. Treasury either through direct loans or the purchase of local housing authority obligations.

We believe that it was a sound intent of the Housing Act of 1949 to encourage the full participation of private investors in the financing of public housing for low-income families. We believe it is a basic principle to rely upon private enterprise to the greatest possible extent in all undertakings.

It was also recommended to us that the present Federal income tax exemption of local housing authority obligations be removed. Our Subcommittee is strongly of the opinion that the question of tax exemption of these particular bonds cannot and should not be divorced from a consideration of the tax exemption of other obligations of the States and municipalities and other public bodies generally.

One of the arguments advanced for the removal of tax exemption from local housing authority obligations is that the tax exemption feature attracts investment funds which otherwise would go into financing private construction. Our Subcommittee finds no validity in this claim. The funds which go into tax exempt securities, be they local housing authority issues or those of other local political subdivisions, generally would not be available for mortgage financing of private housing. If local housing authority securities were not available, such investment funds would be put into the many other issues of local public bodies.



*Recommendation No. 14:*

We recommend a tightening of administrative practices to prevent the promotion of public housing in localities by Federal employees.

The Federal statute, in recognition of the sound principle that there should be local determination of the need for public housing for low-income families, now provides that the Federal Government may not give financial assistance "unless the local governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan" and "unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Authority pursuant to this Act." Thus, it is impossible under the present statute for a local housing authority to proceed with a public housing program for low-income families unless it has the approval of the local governing body of its locality.

Even though the program has to be approved by the local governing body, we do not believe that employees of the Public Housing Administration should attempt to promote the program. We do believe, however, it is not only entirely proper but the duty of any public agency, Federal or local, to inform the public of the program which it is administering, how it operates and what its purposes are. We also think that it is proper, and often necessary, for Federal officials to visit localities *at the request of the local government* to explain the operations of their program in relation to local conditions.

It was recommended to our Subcommittee that the present Federal law be amended to require a local referendum before a public housing program can be undertaken in a community. We have given serious consideration to this proposal and have reviewed the legislative history on requirements for local referenda both in the Federal and State laws (see Exhibit 19).

As a result of our investigation and considerations we recommend no change in the Federal law in this regard. We believe that a requirement in the Federal law for a local referendum would be a clear violation of the rights of States and localities to determine what limitations, if any, they might wish to establish on their representative form of government and to operate their own programs as they desire.

It is entirely possible now for any locality to have a referendum on public housing if it wishes. We do not believe that it should be made mandatory that a locality have a referendum if it prefers to operate through its elected representatives on the City Council. This recommendation is entirely without regard to the question of public housing but represents to us a clear principle of the rights of States and lo-



calities to carry on their government in the way that they, in their own localities, believe that it should be conducted.

### LANHAM ACT HOUSING

The Executive Committee assigned to our Subcommittee the matter of disposition of war housing constructed by the Federal Government under the Lanham Act. We were aware that the recommendations being considered by the Subcommittee on Organization would affect the disposition program. We were also informed by the Public Housing Administration that there were no immediately necessary legislative changes but that certain desirable administrative changes were being made. In view of these circumstances our Subcommittee is making no recommendations with respect to the disposition of Lanham Act war housing.



ATTACHMENT TO REPORT OF THE SUBCOMMITTEE ON  
HOUSING FOR LOW-INCOME FAMILIES (APPENDIX 3)

The Advisory Committee, in adopting the Report of the Subcommittee on Housing for Low-Income Families, took the following actions on the Subcommittee's recommendations. None of the changes which were made by the Advisory Committee were incorporated by the Subcommittee into its Report.

*Recommendation No. 1: Accepted.*

*Recommendation No. 2: Not accepted.*

*Recommendation No. 3: Accepted with changes as follows:*

We recommend that pending demonstrated progress towards the achievement of the objectives of the full comprehensive program proposed by the Committee, including the expansion of the mortgage insurance program of the Federal Housing Administration to extend home ownership to more and more families in all income levels, particularly among the low-income families and minority groups, and also encouragement and assistance to private enterprise to construct low-rent housing for lower income families with assistance of FHA, and pending the demonstrated progress towards the achievement of the objectives of a vast and aggressive program of slum clearance to be carried out by the communities of the Nation with the aid of Federal loans, grants, and mortgage loan insurance, the Public Housing Program for low-income families as contained in the Housing Act of 1949, should be continued in such amounts as the Administration and Congress may determine, with due regard to (1) the continuing housing needs of low-income families, (2) the ability of the Federal Government to provide funds for the necessary grants, (3) the Federal grants and fiscal policies as they relate to all other grants and subsidy programs of the Federal Government, and (4) the impact which the financing of all Government subsidy programs that may be authorized will have on the supply of investment funds.

Whether the financing of public housing in the local and Federal proportions now existent shall be by capital grant or annual subsidy method has not been dealt with by the Committee.

*Recommendation No. 4: Accepted.*



*Recommendation No. 5: Accepted with changes as follows:*

We recommend that the Housing Act of 1949 be amended to provide that before qualifying for grants for public housing, the locality shall present a workable program to attack the problem of urban decay.

*Recommendation No. 6: Accepted.*

*Recommendation No. 7: Paragraphs 1 and 2 were accepted without change. Paragraph 3 was accepted with the addition of the underlined language so as to read as follows:*

3. that where the local contribution is through tax exemption, the amount of the full taxes which would have been levied if the housing were privately owned and the payments in lieu of taxes received be made a matter of public record, and that where local contributions are paid in cash or through tax exemption, as provided in Paragraph 2 or 3, estimates of such amounts also be made a matter of public record prior to entering into a contract for annual contributions for the assistance of a public housing project.

*Recommendation No. 8: Accepted.**Recommendation No. 9: Accepted.**Recommendation No. 10: Not accepted.**Recommendation No. 11: Accepted.**Recommendation No. 12: Accepted.**Recommendation No. 13: Not accepted.**Recommendation No. 14: Not accepted.*



## EXHIBIT 1

SELECTED CHARACTERISTICS OF NONFARM HOUSING IN THE  
UNITED STATES, 1950<sup>1</sup>

[In thousands]

	Number of dwelling units		
	Total Nonfarm	Urban	Rural Nonfarm
Total dwelling units.....	39,625	29,509	10,056
Occupancy status:			
Occupied dwelling units.....	37,105	28,492	8,613
Owner occupied.....	19,802	14,377	5,425
Renter occupied.....	17,304	14,116	3,188
Vacant dwelling units.....	2,437	1,021	1,416
Available.....	639	493	146
Not available.....	1,798	528	1,270
Nonresident dwelling units.....	83	56	27
Year built:			
Number reporting.....	38,082	28,547	9,535
1945 or later.....	5,320	3,306	1,954
1940 to 1944.....	2,911	2,154	757
1930 to 1939.....	4,980	3,304	1,676
1920 to 1929.....	7,893	6,464	1,429
1919 or earlier.....	16,978	13,259	3,719
CONDITION AND PLUMBING FACILITIES OF DWELLING UNITS			
Total number reporting.....	38,368	28,763	9,605
Dilapidated or lacking private indoor flush toilet or bath or hot and cold running water.....	11,696	6,392	5,304
Not dilapidated but lacking private indoor flush toilet or bath or hot and cold running water.....	8,551	4,538	4,013
Dilapidated with private indoor flush toilet and bath and hot and cold running water.....	597	510	87
Dilapidated and lacking private indoor flush toilet or bath or hot and cold running water.....	2,548	1,344	1,204
Occupied dwelling units reporting.....	36,165	27,807	8,358
Dilapidated or lacking private indoor flush toilet or bath or hot and cold running water.....	10,580	6,103	4,477
Not dilapidated but lacking private indoor flush toilet or bath or hot and cold running water.....	7,756	4,347	3,409
Dilapidated with private indoor flush toilet and bath and hot and cold running water.....	565	487	78
Dilapidated and lacking private indoor flush toilet or bath or hot and cold running water.....	2,259	1,269	990
Occupied by whites, number reporting.....	33,162	25,411	7,751
Dilapidated or lacking private indoor flush toilet or bath or hot and cold running water.....	8,540	4,636	3,904
Not dilapidated but lacking private indoor flush toilet or bath or hot and cold running water.....	6,638	3,539	3,099
Dilapidated with private indoor flush toilet and bath and hot and cold running water.....	469	393	76
Dilapidated and lacking private indoor flush toilet or bath or hot and cold running water.....	1,433	704	729
Occupied by nonwhites, number reporting.....	3,003	2,396	607
Dilapidated or lacking private indoor flush toilet or bath or hot and cold running water.....	2,040	1,467	573
Not dilapidated but lacking private indoor flush toilet or bath or hot and cold running water.....	1,118	808	310
Dilapidated with private indoor flush toilet and bath and hot and cold running water.....	96	94	2
Dilapidated and lacking private indoor flush toilet or bath or hot and cold running water.....	826	565	261
Toilet facilities:			
Number reporting.....	39,007	29,204	9,803
With private flush toilet.....	30,603	25,363	5,240
No private flush toilet.....	8,404	3,841	4,563
Shared flush toilet.....	1,815	1,655	160
Other or none.....	6,589	2,186	4,403

<sup>1</sup> Source: U. S. Bureau of the Census.



SELECTED CHARACTERISTICS OF NONFARM HOUSING IN THE UNITED STATES, 1950—Continued

[In thousands]

	Number of dwelling units		
	Total Nonfarm	Urban	Rural Nonfarm
<b>CONDITION AND PLUMBING FACILITIES OF DWELLING UNITS—con.</b>			
<b>Bathing facilities:</b>			
Number reporting.....	38,589	28,920	9,669
With private bathtub or shower.....	29,178	24,165	5,013
No private bathtub or shower.....	9,411	4,755	4,656
Shared bathtub or shower.....	1,711	1,560	151
No bathtub or shower.....	7,700	3,195	4,505
<b>Water:</b>			
Number reporting.....	39,040	29,241	9,799
Piped running water inside structure.....	34,834	28,172	6,662
Hot and cold piped running water inside structure.....	29,975	25,053	4,922
Only cold piped running water inside structure.....	4,859	3,119	1,740
No piped running water inside structure.....	4,206	1,069	3,137
Piped running water outside structure.....	895	560	335
No piped running water.....	3,311	509	2,802
<b>Persons per room in occupied dwelling units:</b>			
Number reporting.....	36,549	28,098	8,451
0.75 or less.....	22,140	17,245	4,895
0.76 to 1.5.....	12,373	9,545	2,828
1.51 or more.....	2,036	1,308	728

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## EXHIBIT 2

## SELECTED CHARACTERISTICS OF NONFARM HOUSING IN THE UNITED STATES WHICH ARE COMPARABLE IN THE CENSUSES OF 1940 AND 1950

[In thousands]

	Number of dwelling units	
	1940	1950
Total dwelling units.....	29,683	39,625
Occupancy status:		
Occupied dwelling units.....	27,748	37,105
Owner occupied.....	11,413	19,802
Renter occupied.....	16,335	17,304
Toilet facilities:		
Number reporting.....	29,244	39,007
With private flush toilet.....	21,124	30,603
No private flush toilet.....	8,120	8,404
Shared flush toilet.....	1,814	1,815
Other or none.....	6,306	6,589
Bathing facilities:		
Number reporting.....	29,197	38,589
With private bathtub or shower.....	19,726	29,178
No private bathtub or shower.....	9,472	9,411
Shared bathtub or shower.....	1,706	1,711
No bathtub or shower.....	7,766	7,700
Water:		
Number reporting.....	29,353	39,040
Piped running water inside structure <sup>1</sup> .....	24,456	34,834
Hot and cold piped running water inside structure.....		29,975
Only cold piped running water inside structure.....		4,859
No piped running water inside structure <sup>1</sup> .....	4,897	4,206
Piped running water outside structure.....	1,199	805
No piped running water.....	3,698	3,311
Persons per room in occupied dwelling units:		
Number reporting.....	27,429	36,549
0.75 or less.....	15,499	22,140
0.76 to 1.5.....	9,973	12,373
1.51 or more.....	1,957	2,036

<sup>1</sup> In 1940, the data on running water relate to the dwelling unit rather than the structure.

Source: U. S. Bureau of the Census.



## EXHIBIT 3

EXPLANATORY NOTES ON TABLES PROVIDING CENSUS DATA ON HOUSING CHARACTERISTICS<sup>1</sup>

1. *Dwelling unit*.—A dwelling unit is a group of rooms or a single room occupied or intended for occupancy as separate living quarters by a family or other group of persons living together or by a person living alone. \* \* The count of dwelling units in the 1950 Census may be considered comparable with the count in the 1940 Census although the dwelling unit definitions differed. \* \* \* In the 1940 Census, a dwelling unit was defined as the living quarters occupied, or intended for occupancy by one household.

2. *Vacant dwelling units*.—A dwelling unit is vacant if no persons were living in it at the time of enumeration, except when its occupants were only temporarily absent. \* \* \* New units not yet occupied were enumerated as vacant dwelling units if construction had proceeded to the extent that all the exterior windows and doors were installed and final usable floors were in place. All vacant units, whether or not dilapidated, were included if they were intended for occupancy as living quarters.

3. *Vacant dwelling units—Available*.—This category provides a measure of vacant dwelling units which are on the housing market for year-round use. It excludes dilapidated, seasonal, and other vacant dwelling units not on the rental or sale market. \* \* \* It should be noted that vacant dwelling units were considered "available" even though they lacked one or more standard plumbing facilities. All other vacant dwelling units were classified as "not available."

4. *Nonresident dwelling unit*.—A nonresident dwelling unit is a unit which is occupied temporarily by persons who usually live elsewhere.

5. *Dilapidated—In need of major repairs*.—A dwelling unit was reported as dilapidated when it had serious deficiencies, was run-down or neglected, or was of inadequate original construction, so that it did not provide adequate shelter or protection against the elements or endangered the safety of the occupants. \* \* \* In the 1940 Census "dilapidation" was not enumerated; the concept "needing major repairs" was used to provide information about the condition of housing. A dwelling unit was classified as "needing major repairs" when parts of the structure such as floors, roof, plaster, walls, or foundation required major repairs or replacements. \* \* \* No reliable data have

<sup>1</sup> Source: Data from U. S. Bureau of Census.



been obtained to compare the relationship between the "major repairs" category and the "dilapidated" category. It is the opinion of a number of qualified housing economists, however, that "dilapidation" is a more rigorous test of poor housing condition than is "needing major repairs" and that if the two definitions were applied in the same census, the national count of "dilapidated" units would be smaller than the count of units "needing major repairs."

6. *Condition and facilities of housing in 1940.*—Because of the differences in definitions between the 1940 and 1950 Censuses it is not possible to compare dwelling units at the two dates by an overall measure of condition and plumbing facilities. The figures for 1940, according to the definitions then in use, are, however, given below :

	<i>Dwelling units (in thousands)</i>
Number reporting.....	27, 723
<hr/>	
In need of major repairs or lacking private indoor flush toilet or bath or running water.....	10, 627
<hr/>	
In need of major repairs.....	3, 935
Not in need of major repairs but lacking private indoor flush toilet or bath or running water.....	6, 692



## EXHIBIT 4

ESTIMATED COST TO MAINTAIN FAMILIES AT A LEVEL OF  
ADEQUATE LIVING<sup>1</sup>

1. "In the spring of 1945 the Labor and Federal Security Subcommittee of the Committee on Appropriations of the House of Representatives directed the Bureau of Labor Statistics 'to find out what it costs a worker's family to live in the large cities of the United States.' The Subcommittee indicated that it wanted to know the relative differences in living costs between cities and, in addition, the total number of 'dollars required for the average worker in overalls to live in these cities.'"

2. The budget, for a family of 4 persons including an employed father, a housewife not gainfully employed, and 2 children under 15 in school was developed by the Bureau of Labor Statistics "to represent the estimated dollar cost required to maintain this family at a level of adequate living—to satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children, and for participation in community activities."

3. This budget was last priced by the Bureau of Labor Statistics in October 1951. Its cost is shown in the following table for each of 34 large American cities:

City:	Total budget	City:	Total budget
Atlanta, Ga.....	\$4,315	Milwaukee, Wis.....	\$4,387
Baltimore, Md.....	4,217	Minneapolis, Minn.....	4,161
Birmingham, Ala.....	4,252	Mobile, Ala.....	3,969
Boston, Mass.....	4,217	New Orleans, La.....	3,812
Buffalo, N. Y.....	4,127	New York, N. Y.....	4,083
Chicago, Ill.....	4,185	Norfolk, Va.....	4,146
Cincinnati, Ohio.....	4,208	Philadelphia, Pa.....	4,078
Cleveland, Ohio.....	4,103	Pittsburgh, Pa.....	4,203
Denver, Colo.....	4,199	Portland, Maine.....	4,021
Detroit, Mich.....	4,195	Portland, Oreg.....	4,153
Houston, Tex.....	4,304	Richmond, Va.....	4,338
Indianapolis, Ind.....	4,044	St. Louis, Mo.....	4,112
Jacksonville, Fla.....	4,202	San Francisco, Calif.....	4,263
Kansas City, Mo.....	3,960	Savannah, Ga.....	4,067
Los Angeles, Calif.....	4,311	Scranton, Pa.....	4,002
Manchester, N. H.....	4,090	Seattle, Wash.....	4,280
Memphis, Tenn.....	4,190	Washington, D. C.....	4,454

4. For a detailed description and evaluation of the BLS city workers family budget, see the attached statement by Hazel Kyrk.

<sup>1</sup> Source: U. S. Bureau of Labor Statistics. All quotes are from Bureau of Labor Statistics Publications.



## BLS CITY WORKERS FAMILY BUDGET

By Hazel Kyrk

NOTE.—The following study, which contains a description and evaluation of the BLS city workers family budget, was prepared at the request of the Subcommittee on Housing for Low-Income Families and other Subcommittees. The study was done by Dr. Hazel Kyrk, Professor Emeritus, University of Chicago, who is a recognized authority in the field of consumer expenditures and served as Chairman of the Technical Advisory Committee to the Bureau of Labor Statistics on preparation of the budget.

## LEVEL OF LIVING REPRESENTED BY BLS BUDGET

The BLS city workers family budget was developed as an instrument for measuring the cost of maintaining a four-person family at a defined level in the large cities of the United States. The level of living which the budget was designed to represent may be described as the minimum which would be considered adequate according to generally accepted American standards. The Bureau has described the budget as a method of estimating the dollar cost of maintaining families of the specified size "at a level of adequate living—to satisfy prevailing standards of what is necessary for health, efficiency, the nurture of children, and for participation in community activities" (BLS Bulletin No. 927, p. 3). Whether it is considered that the actual budget developed does represent a level of living that may be described in these terms will depend upon two things: one, the meaning given to the words "minimum", "necessary" and "adequate"; two, the judgment of the Bureau's procedures in constructing the budget—whether they provided items and quantities representative of the level of living described.

The Bureau warns, "It is not possible to describe this budget in a few words or phrases without the possibility of misinterpretation" (Bulletin No. 927, p. 4). But for no other budget have the concepts underlying it and the procedures used in constructing it been so fully discussed both in the bulletin referred to and in papers published in professional journals by members of the staff. Not only have the procedures used in constructing the budget been described in detail and their rationale in terms of the objective but the meaning of the terms "adequate" and "minimum" as applied to the level of living defined by the budget have been rather fully discussed. The basic assumption of the Bureau was that there is a level of living that according to the *prevailing standards in the community* is a dividing line between insufficiency and inadequacy and their opposites. Below that line most families would feel poor or deprived of something essential; above it, there would be less sense of privation or not



enough, more emphasis upon improvement of quality, rather than sufficiency in a quantitative sense. "The definition of the budget recognizes that in the actual experience of families there is a scale which ranks consumption patterns in an ascending order from mere subsistence to plenitude in every respect. The budget level described \* \* \* is at a point on this scale below which deficiencies exist in one or more aspects of family consumption". (Bulletin No. 927, p. 9). In the construction of this budget the fact that what are commonly considered necessities include not only items that meet biological needs but those that have only conventional, aesthetic and social values was expressly taken into account. It is a relatively simple matter to ensure that a budget makes provision for known biological needs, the necessary nutrients, for example, but to ensure that it includes what is essential for other purposes is a more complex problem.

The Bureau was able to describe its procedures in constructing the budget because for the first time objective procedures were used that could be described and duplicated by others. The items and quantities in all other budgets are the expression of the judgment of individuals or the consensus of the group responsible for the budget construction. They are not the result of a chosen procedure. The Technical Advisory Committee set up by the Bureau recommended procedures, not items and quantities for the budget. In general, the *procedures* were those designed to identify the community judgment as to what is necessary for acceptable living. "The chief indicator of group judgment which was used in deriving this budget was the manner in which families increase their consumption as their purchasing power increases" (Bulletin No. 927, p. 9). To determine the budget level of goods and services for all categories except food and housing the Bureau relied wholly upon indicators of group judgments derived from analysis of expenditure records. By this analysis they identified the dividing point as the scale of consumption below which reduction meets greater and greater resistance. They found that "As purchasing power increases, consumption levels above the dividing point expand at slower and slower rates" (Bulletin No. 927, p. 9).

The selection of items for the food budget was based "first upon nutritional standards, and second, upon customary eating habits." "The quantities of the foods included \* \* \* were determined at the point in the scale of diets (as shown by the records) where the consumption of calories and nutrients agreed most closely with the recommendations of the National Research Council" (Bulletin No. 927, p. 12). The standards set up for the housing in each city were "insofar as practicable" those of the Committee on the Hygiene of Housing of the American Public Health Association. The Bureau says, "The



standards closely correspond with the essentials as expressed by family choices" (Bulletin No. 927, p. 11). In some cities housing that met the standard was very limited in supply and its cost at certain pricing dates exceeded that which possibly the majority of families were paying. Community standards as well as the character of housing are likely to vary more than for other categories of family living. There is a standard, however, toward which all communities seem to be moving and it may be said that it was that standard which was adopted for the budget in preference to a variable community standard.

Many comments might be made on the BLS budget. It embodies a concept of essentials that is relative, not absolute, except in the case of the requirements for biological needs. The latter change with changes in scientific knowledge, the former with the values, standards, and habits of the time and place. The level defined by the Bureau budget reflects the dynamic quality of the American standard of living and the democratic and equalitarian character of consumption habits and standards. As the general level of consumption moves up so will the level below which almost everyone will feel poor. The BLS budget is in no sense a prescriptive budget. The inclusion of a specific item or quantity does not indicate a judgment that said item per se is essential. "Each of the consumption groups is composed of a combination of articles and services which include many sets of substitutes" (Bulletin No. 927, p. 13). Families may be adequately nourished with other foods than those priced. The budget describes average choices. There are wider variations in some categories of the budget than in others both in tastes and in the number of substitutes on the market through which individual preferences may be expressed.

What the budget was designed to measure was the average cost of maintaining families of the selected size at the level which according to prevailing standards in the larger American cities would be considered adequate. Families with fewer members would require less, those with more, a higher amount. Some families will attain the given level for less money. They may produce more for themselves, buy less. They may have buying skills and competence beyond the average. They may have a more favored position in the market than others, or have made the purchase of a home on especially favorable terms. Some families may not feel poor at a consumption level below the one defined if their standards are quite different from those generally prevailing. But if the budget represents what it was designed to represent, families on the average with incomes below the budget cost in their area, after adjustment for family size, would be living at a level which they and others in their community would consider substandard. If their housing came up to standard, food,



clothing, recreation, insurance would be short. There are many possible reasons for a substandard diet or occupancy of a substandard dwelling. Comparison of a budget-cost with income throws light on one of them.

#### Construction of Relief Budgets

Family budgets priced in local markets have long been recognized as necessary tools for the equitable administration of private or public assistance programs. They are also the basis of estimates of legislative appropriations needed or amounts to be raised by private philanthropy. For many years welfare agencies have been constructing such budgets as a basis for determining cash allowances to necessitous persons or families. These budgets have represented the judgment of an individual or, perhaps more commonly, the consensus, of a group on the basis of information concerning the consumption habits of low-income groups, nutritive requirements, characteristics of commodities and the like. The BLS budget differs from such budgets in mode of construction as has been said since only to the most limited degree were the items subject to individual discretion.

The cost of relief budgets, especially those constructed by public assistance agencies, is usually lower than that of the BLS budget. One reason is that relief recipients are often eligible for free services for which others are not. Relief recipients will not usually have such outlays as union dues, occupational expenses. Nor will they pay taxes. The relief budget is lower than the BLS budget primarily because it represents a lower level of living. It may be pitched at this lower level because it is conceived that these individuals or families will be living at this level only temporarily. The assistance is designed to tide them over a relatively short period of economic distress. Further, there may be the suspicion of undisclosed resources which supplement the assistance given. Even without these considerations the relief budget is likely to be pitched at a lower level because its cost comes out of other families' pockets. Private agencies are likely to provide more liberally than public. They need not take all who apply and those who support them may be willing to make generous allowances to those whom they assist. But throughout the whole history of public assistance the sentiment has again and again become vocal that the destitute should not be supported at as high a level as that which the economically independent can attain. It may be argued, often not very plausibly, that provision at a higher level would weaken incentives to get off relief or not to become a public charge, that the relief allowance should be so low that most recipients would have a marked sense of privation. There is a level at which a



community is willing to support those in economic distress. This level will vary with the homogeneity of the community, whether in general those likely to be supported are of same race and cultural background with those supporting. It will vary with the general level of income. Although appropriations for assistance theoretically are based upon estimates of need which the budget when priced helps supply, those making the budget, consciously or unconsciously, adapt the budget to the amount they think will be forthcoming. The budget tends to become the "best" allocation of a given sum rather than the cost of a defined level.

#### The Heller Committee Budget

A city family budget similar in purpose to the BLS budget is that for the wage-earner family constructed and priced annually in the San Francisco Bay region by the Heller Committee for Research in Social Economics of the Department of Economics of the University of California. Originating in a request of the California Civil Service Commission, the Heller Committee budgets go back for about twenty years and have accordingly gone through several revisions and have become widely known. The 1946 edition describes the budget as "an attempt to measure the cost of maintaining the commonly accepted standard of living of three different occupational groups in an American community. By the 'commonly accepted standard of living' is meant the sum of those goods and services that public opinion currently recognizes as necessary to healthful, reasonably comfortable living."

The items and quantities in the Heller Committee budgets are those that in the judgment of the Committee and staff represent the level of living defined. The judgment is the result of study of prevailing consumption habits and of criticisms and comments to which earlier budgets have been exposed. The Bureau of Labor Statistics has compared the cost of its budget in San Francisco as of June 15, 1947, with that of the Heller budget for a wage-earner family. The cost of the goods and services included in the Heller budget exceeded that of the BLS budget by about 12 percent. When insurance, taxes and similar items are added the total for the Heller budget was about 14 percent above that for the BLS. The Heller budget allowances were higher than the BLS for all categories except clothing and rent, heat and utilities. The BLS secured rents only on five-room dwellings that met certain standards as to facilities, state of repair and locality. The Heller Committee does not seem to have been so selective, securing rent quotations from five-room dwellings in "appropriate districts." The result was a difference of about \$6 in monthly rent. The Heller



budget allowance for house furnishings and household operation was 54 percent above that in the BLS budget. The allowance for transportation was 67.7 percent higher since the Heller Committee assumed 100 percent ownership of an automobile and an average period of ownership of 5 years and the BLS on the basis of the records assumed an ownership of only 74 percent and a period of ownership of from 6 to 9 years. The Heller budget allows larger quantities of most basic foods, 12.4 percent more meat, 39.5 percent more fluid milk, 63 percent more citrus fruits.

The results of the comparison do not suggest that the method of budget construction used by the BLS raised the level beyond that set after long consideration by deliberative groups dealing with the same problem, but, if anything, lowered it.

#### What Can Families Afford To Pay for Housing?

A family's judgment of what it can afford to pay for housing, as well as its judgment of what it is willing to pay, is essentially a judgment of the importance of the goods and services it would have to give up (or the savings it would be obliged to forego or debts leave unpaid) if it paid more for housing. Similarly, the "outsider's" judgment of what families can afford is based upon an assessment of the effect of a larger payment upon the level of living in other respects. The budget adviser who attempts to set a maximum figure or percentage of income is in effect saying that if a family in a given economic position exceeds the allowance the chances are that either something considered essential by commonly accepted standards will be sacrificed or the family will find itself obliged to sacrifice goods, services or saving that by its own standards it would have preferred to the housing values secured. The concept of a budget that defines essentials in the sense that does the BLS budget carries with it the concept that most families with incomes close to the budget cost will not be able to maintain the generally accepted standard in other respects if they move up the outlay for housing. Similarly, if they raise their money outlay for recreation, food, clothing, transportation except by virtue of some special economies or market advantages they will not be able to pay for housing of the standard defined in the budget. Those with incomes below the budget cost will be in the unfortunate position of choosing between degrees of inadequacy in the various categories; those with incomes well above the budget cost in the fortunate position of choosing between degrees of adequacy or desirability.

The relative valuation given by American families to housing as compared with other goods (or savings) could presumably be elicited from data showing expenditures in relation to income. The existing



data are, however, not ideal for this purpose and only recently have their deficiencies been fully realized and hasty conclusions avoided. The *current* income position of many families is not that to which their housing expenditure is related. Housing expenditures are more likely to be adjusted to their past income position or to expectations for the future, than to that of the immediate moment. In families with more than one earner they are more likely to be adjusted to the earnings of the main breadwinner or possibly those of husband and wife, than to the total family income including the earnings of sons and daughters. Families do not buy and sell, move from one dwelling or location to another, in response to temporary changes in income. Older couples may occupy housing acquired at an earlier period. Such families as well as others below their usual income position are relatively frequent at low income levels.

Families entering the housing market do, however, make their commitments on the basis of a judgment concerning what they can afford and express by their rejections and acceptances what they are willing to pay. Correspondingly, they will move in time if they find themselves paying more than they "can afford" to pay. The time required will depend upon whether there is a housing shortage, whether there are dwellings available at a lower price or whether those available are so inferior to that now occupied that what would be gained by raising the standard in other respects would be offset by the deficiencies of the new dwelling. Outside observers may judge the choices and the relative values displayed in faulty choices quite wrong from the welfare standpoint. Such judgments suggest investigation of the reasons for these "wrong" choices and educational programs designed to alter values and inform as to needs.

Analysis of the data for renting families, secured in a series of urban studies going as far back as 1901, has led to the tentative conclusion by BLS analysts that the outlay for rent, heat and the utilities is as inelastic an item as that for food.<sup>1</sup> That is, through a wide income range it neither decreases at the same rate as income nor increases at the same rate. The coefficient of income elasticity is estimated as about 0.5. Thus the proportion of the income going for these items is lower at the higher than at the lower income levels. It is probable that the rent-income ratio may reach a fairly stable position at both the top and the bottom of the distribution.

Is there a maximum beyond which on the average families do not go, that is, a ratio of outlay to income which they will not exceed except for short periods or under special circumstances? The origin of the "one-fourth" relationship which was once widely quoted as

<sup>1</sup> Secured by private conference, not from published or file papers.



right or a "ceiling" one ought not to exceed is unknown. It is also doubtful whether it was an "outsider's" judgment or a ratio that families would not exceed. "Housing" outlays may include not only the cost of the heated, lighted dwelling but furnishings and equipment and the many items of household operation. The ratio will vary with the inclusions or exclusions. It will vary also if the outlays in question are related to total income, to income after tax, or to total expenditures for consumption.

Limited inspection of the data from the various large-scale studies of urban families in the last 50 years indicates that outlays for rent, heat and the utilities fall below one-fourth of the income; that the "resistance" point is more nearly 20 than 25 percent. On the average, families spending much over 20 percent consider that they are spending more than they can afford, that is, it involves a sacrifice of something essential. A generally acceptable level of living has many components, well entrenched and considered essential, to compete with housing for the family's dollar. The BLS budget represented such a level. In most cities, rent, heat and utilities fell below 20 percent of the total budget cost.

In a survey of World War II veterans in 14 cities made in 1946, questions were asked concerning their weekly income, rent currently being paid, and what they would be willing to pay if more satisfactory accommodations were available. Although in practically all cities the average rent the group would be willing to pay exceeded the average currently paid, the amount in no city was as high as 25 percent of the income (assuming full employment for 52 weeks at weekly rate given).

The outlays of home owners, or those on their way to becoming home owners, may bear a different relation to their incomes than those of renters. It is even more difficult to get a correct income-cost ratio in the case of owners than renters. The occupancy costs of home owners are differently computed from one study to another. Even when computed "correctly" from the accounting standpoint the amount may not be that which the family uses in judging what it can afford.



EXHIBIT 5

PERCENTAGE DISTRIBUTION OF NONFARM FAMILIES AND NONFARM UNRELATED INDIVIDUALS IN UNITED STATES BY TOTAL MONEY INCOME IN 1951

	Families			Unrelated individuals		
	Total nonfarm	Urban	Rural nonfarm	Total nonfarm	Urban	Rural nonfarm
Number in thousands.....	34,762	26,918	7,844	8,321	6,877	1,444
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0
Under \$500.....	3.3	2.8	5.0	24.1	21.3	38.0
\$500 to \$999.....	3.5	2.9	5.6	20.5	19.6	25.0
\$1,000 to \$1,499.....	4.2	3.5	6.5	8.1	8.2	7.4
\$1,500 to \$1,999.....	5.2	4.6	7.3	9.4	10.1	5.9
\$2,000 to \$2,499.....	6.9	6.6	8.3	10.0	10.8	6.1
\$2,500 to \$2,999.....	7.8	7.5	8.6	7.5	8.1	4.6
\$3,000 to \$3,499.....	10.4	10.0	11.9	7.8	8.4	5.1
\$3,500 to \$3,999.....	10.4	10.6	9.5	4.9	5.6	1.8
\$4,000 to \$4,499.....	9.8	10.1	8.9	2.9	3.0	2.6
\$4,500 to \$4,999.....	7.0	7.4	5.7	1.5	1.7	.5
\$5,000 to \$5,999.....	12.0	12.4	10.1	1.7	1.6	2.0
\$6,000 to \$6,999.....	7.5	8.2	5.0	.9	1.0	.5
\$7,000 to \$9,999.....	8.1	8.9	5.5	.5	.5	.3
\$10,000 to \$14,999.....	2.7	3.0	1.4	.1	.1	.3
\$15,000 and over.....	1.2	1.4	.7	.1	.1	0
Median income.....	\$3,919	\$4,071	\$3,365	\$1,169	\$1,540	\$740

Source: U. S. Bureau of the Census.

MEDIAN TOTAL MONEY INCOME OF URBAN AND RURAL NONFARM FAMILIES AND UNRELATED INDIVIDUALS IN 1951, BY AGE OF HEAD OF FAMILY AND AGE OF INDIVIDUAL

	Total	Age of head of family or of individual					
		14 to 24	24 to 34	35 to 44	45 to 54	55 to 64	65 and over
<b>Families:</b>							
<b>Urban:</b>							
Number in thousands.....	26,918	1,396	6,228	6,488	5,382	4,238	3,186
Median income.....	\$4,071	\$3,264	\$4,018	\$4,435	\$4,422	\$4,288	\$2,629
<b>Rural nonfarm:</b>							
Number in thousands.....	7,844	364	1,838	1,826	1,556	1,210	1,050
Median income.....	\$3,365	( <sup>1</sup> )	\$3,750	\$3,727	\$3,042	\$3,156	\$1,307
<b>Unrelated Individuals:</b>							
<b>Urban:</b>							
Number in thousands.....	6,877	659	825	953	1,351	1,402	1,687
Median income.....	\$1,540	\$1,025	\$2,565	\$2,156	\$2,231	\$1,593	\$711
<b>Rural nonfarm:</b>							
Number in thousands.....	1,444	111	108	131	204	316	574
Median income.....	\$740	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	( <sup>1</sup> )	\$478

<sup>1</sup> Median not computed; reporting sample too small.

Source: U. S. Bureau of the Census.



## EXHIBIT 6

LOCAL HOUSING AUTHORITIES<sup>1</sup>

1. A local housing authority is a public body established by a locality under State law. Such authorities have been established, pursuant to State law in 43 States, the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands. States without legislation are: Iowa, Kansas, Oklahoma, Utah, and Wyoming.

2. The authority is governed by a board of commissioners, appointed by the mayor or other elected official. There are generally five commissioners, appointed for specific terms, one of whom is designated as chairman. The commissioners serve without compensation and are in effect a board of trustees which conducts the affairs of the authority.

3. Boards of commissioners are made up of persons representing cross sections of communities' business, professional, and public life. At the end of 1952, commissioners of housing authorities throughout the country came from the following groups:

	<i>Percent</i>
Retail and wholesale trade.....	25
Real estate, insurance, finance.....	17
Professional (lawyers, doctors, clergyman, etc.).....	16
Social agencies and labor.....	14
Housewives and retired.....	7
Manufacturing.....	6
Public officials.....	5
Miscellaneous.....	10

4. The local housing authority determines the need for public housing for low-income families in its locality and, subject to the approval of the local governing body of the locality, makes application to the Federal Government for financial assistance. The local authority constructs, owns, and operates the housing. It borrows funds as required, mostly from private investors, passes upon budgets and determines the number and compensation of employees.

5. The number of local housing authorities with programs for low-income families and the localities served (a county housing authority, for example, may serve a number of localities within the county) as of March 31, 1953, were as follows:

<sup>1</sup> Source: Public Housing Administration and National Association of Housing Officials.



APP. 3—SUBCOMMITTEE ON HOUSING FOR LOW-INCOME FAMILIES

	Percent
Number of authorities.....	887
Number of localities served.....	1,228
	100.0
Size of locality:	
Rural nonfarm.....	397 32.3
Under 5,000.....	189 15.4
5,000-9,999.....	160 13.0
10,000-24,999.....	194 15.8
25,000-49,999.....	116 9.4
50,000-99,999.....	81 6.6
100,000-249,999.....	53 4.3
250,000 and over.....	38 3.2

...determines the...  
 ...to be paid...  
 ...for any member of his family...  
 ...by...  
 ...and where he became a...

Applicants are...  
 ...the Independent Office...  
 ...of 1954...  
 ...of 20,000 units...  
 ...When these units are...  
 ...by June 30, 1954, there will be a total of some 40,000...  
 ...for low-income families completed or under con-

(d) The local authority (not...  
 ...and...

(e) No member of the family belongs to a...  
 ...The local authority may establish additional requirements such as...  
 ...length of residence in the community and not...

2. The statements made in the application are verified by the local authority to insure their accuracy. For example, income is verified by written or oral inquiries to employers and others having knowledge of the facts and from such documents as W-2 Federal income tax forms and pay envelopes. Housing conditions under which the applicant is living are verified in most cases by actual inspection of the applicant's present dwelling.

3. As among eligible applicants first preference is given to displaced families.\* Among both displaced and nondisplaced families preference is given first to families of disabled veterans, second to families of

\* Displaced families are those who are displaced by the construction of a new public building or the construction of a new public building...  
 ...of 1954...  
 ...of 1954...



EXHIBIT 7

CONSTRUCTION OF PUBLIC HOUSING FOR LOW-INCOME FAMILIES AS OF SEPT. 30, 1953 <sup>1</sup>

	Projects	Units
<i>Completed</i>		
Under original program <sup>2</sup> .....	694	206,153
Under 1949 Act.....	937	112,696
Total completed.....	1,631	318,849
<i>Under construction</i>		
Under 1949 Act.....	414	75,168
Total completed or under construction.....	2,045	394,017

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.

<sup>2</sup> Includes 117 projects with 39,222 units operated as low-rent housing but not constructed out of funds made available under the U. S. Housing Act of 1937 such as PWA housing, Farm Labor Camps, and War Housing converted to low-rent use under authorization of Congress.

The Independent Offices Appropriation Act of 1954 permitted the construction in fiscal 1954 of 20,000 units out of units already under annual contributions contract. When these units are put under construction by June 30, 1954, there will be a total of some 410,200 public housing units for low-income families, completed or under construction at that date.



## EXHIBIT 8

HOW RESIDENTS ARE SELECTED AND INCOMES VERIFIED IN PUBLIC HOUSING FOR LOW-INCOME FAMILIES<sup>1</sup>

1. Each applicant must fill out an application for admission. The application form contains information about the family in sufficient detail to determine the family's eligibility, preference, if any, and amount of rent to be paid. The applicant must also sign a certificate that neither he nor any member of his family group belongs to any organization listed as subversive by the Attorney General of the United States. If the applicant is foreign born he must sign a certificate as to how, when and where he became a citizen of the United States. Applicants are eligible if they meet the following criteria:

- (a) The family's total net income, less an exemption of \$100 a year for each minor member, does not exceed the approved income limit;
- (b) The present housing is substandard or the family is or is about to be without housing through no fault of its own (not applicable to veterans, servicemen and low-income families displaced by slum clearance);
- (c) The family consists of at least two related persons;
- (d) The lessee is a United States citizen (not applicable to veterans and servicemen);
- (e) No member of the family belongs to a subversive organization.

The local authority may establish additional requirements such as length of residence in the community and net assets.

2. The statements made in the application are *verified* by the local authority to insure their accuracy. For example, income is verified by written or oral inquiries to employers and others having knowledge of the facts and from such documents as W-2 Federal income tax forms and pay envelopes. Housing conditions under which the applicant is living are verified in most cases by actual inspection of the applicant's present dwelling.

3. As among eligible applicants first preference is given to displaced families.<sup>2</sup> Among both displaced and nondisplaced families preference is given first to families of disabled veterans, second to families of

<sup>1</sup> Source: Public Housing Administration.

<sup>2</sup> Displaced families "which are to be displaced by any low-rent housing project or by any public slum clearance or redevelopment project initiated after January 1, 1947, or which were so displaced within 3 years prior to making application. \* \* \*" (Sec. 10 (g) U. S. Housing Act of 1937, as amended.)



deceased veterans or servicemen and, third, to families of other veterans and servicemen.

4. Within each preference category, families are selected for appropriate size units, in accordance with a numerical scoring system which measures the extent of substandardness of the housing conditions of the family. As among applicants having the same preference and having the same housing need the one with the largest number of children would be selected. Since rent is related to income, it is always necessary, within the above method, to select tenants so as to assure sufficient rent to maintain solvency of the housing.

5. The method used assures that families will be selected on an objective basis in accordance with their incomes and housing needs.

6. After admission, the eligibility of each family must be reexamined at least annually by the local authority. This involves the obtaining and verification of information in the same manner as at time of admission. Also a new certificate as to nonmembership in subversive organizations is required each year. If it is found that the family is still eligible for continued occupancy but that its income has changed, the rent is adjusted to the income being received. If the family is found to be ineligible it must be given notice to vacate within 6 months.

to be without family, though no fault of its own (not applicable to veterans, servicemen and low-income families displaced by slum clearance);  
(c) The family consists of at least two related persons;  
(d) The head is a United States citizen (not applicable to veterans and servicemen);  
(e) No member of the family belongs to a subversive organization.  
The local authority may establish additional requirements such as length of residence in the community and net assets.  
2. The statements made in the application are verified by the local authority to insure their accuracy. For example, income is verified by written or oral inquiries to employers and others having knowledge of the facts and from such documents as W-2 Federal income tax forms and pay envelopes. Housing conditions under which the applicant is living are verified in most cases by actual inspection of the applicant's present dwelling.  
3. As among eligible applicants first preference is given to displaced families. Among both displaced and nondisplaced families preference is given first to families of disabled veterans, second to families of

Source: Public Housing Administration.  
"Displaced families" which are to be displaced by any low-rent housing project or by any public slum clearance or redevelopment project initiated after January 1, 1947 or which were so designated within 2 years prior to making application. \* \* \* (Sec. 10 (a), U. S. Housing Act of 1947, as amended.)



## EXHIBIT 9

INCOMES OF FAMILIES ADMITTED TO PUBLIC HOUSING, CALENDAR YEAR 1952<sup>1</sup>

The law provides certain exemptions from net annual family income, as defined below, in determining the eligibility of families admitted by local housing authorities to low-income public housing. These exemptions are: death or disability benefits to the family of a deceased or disabled veteran or serviceman and \$100 for each minor in the family. The following table shows the annual income for the purpose of determining eligibility of families who became residents during 1952.

Annual income for eligibility	Number of persons in family			
	2	3 or 4	5 or more	All families
	Percent	Percent	Percent	Percent
Total.....	100.0	100.0	100.0	100.0
Under \$1,000.....	22.3	11.4	10.1	13.5
\$1,000-\$1,499.....	30.4	20.6	16.4	21.5
\$1,500-\$1,999.....	29.6	27.4	23.8	26.9
\$2,000-\$2,499.....	15.9	27.6	28.3	25.1
\$2,500-\$2,999.....	1.7	12.1	18.6	11.7
\$3,000 and over.....	.1	.9	2.8	1.3
Median.....	\$1,457	\$1,840	\$1,993	\$1,785

Net income is the gross income of all members of the family less authorized deductions for expenditures required as a condition of employment and unusual expenditures as, for example, medical expenses in excess of 5 percent of gross income. The average total deduction from gross income amounts to about \$50 per family per year.

Net annual income	Number of persons in family			
	2	3 or 4	5 or more	All families
	Percent	Percent	Percent	Percent
Total.....	100.0	100.0	100.0	100.0
Under \$1,000.....	17.9	6.0	3.0	7.8
\$1,000-\$1,499.....	30.6	16.4	8.4	17.2
\$1,500-\$1,999.....	31.4	26.9	19.4	25.5
\$2,000-\$2,499.....	17.5	29.2	26.8	26.1
\$2,500-\$2,999.....	2.3	18.1	26.2	16.9
\$3,000 and over.....	.3	3.4	16.2	6.5
Median.....	\$1,522	\$2,011	\$2,364	\$1,986

It should be noted that the average income for eligibility is \$201 less than net income. In families of 5 or more persons the difference is \$371 reflecting the greater number of children for whom there is a \$100 exemption for each child.

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.



## EXHIBIT 10

INCOMES OF FAMILIES ADMITTED TO PUBLIC HOUSING IN CONSTANT DOLLARS AND COMPARED WITH INCOMES OF ALL URBAN FAMILIES IN THE UNITED STATES<sup>1</sup>

1. The incomes of families served by local housing authorities in public housing are compared with the incomes of all urban families (the families served to date have been predominantly urban although the number of rural nonfarm families is increasing). The average income of families admitted to public housing has risen along with the general increase in incomes. But as shown in the last column of the table below, local housing authorities have consistently been serving about the same *relative* income group. In every postwar year, the median income of families admitted to public housing has been consistently from about 15 to 20 percent below the level of the lowest income sixth of all urban families (national data are not available for some of the earlier years and during the war the data are erratic due to special legislation, etc.).

Year	Income below which indicated percentage of all urban families fall			Median net income of families admitted to public housing	
	50 percent	33.3 percent	16.6 percent	Actual	As percent of top of lowest sixth
1946.....	\$3,131	\$2,435	\$1,659	\$1,384	83.4
1947.....	3,349	2,630	1,782	1,472	82.6
1948.....	3,551	2,840	1,873	1,573	84.0
1949.....	3,486	2,764	1,957	1,602	81.9
1950.....	3,673	2,947	1,903	1,642	86.3
1951.....	4,071	3,270	2,212	1,797	81.2
1952 <sup>1</sup> .....	4,317	3,468	2,346	1,986	84.7

<sup>1</sup> Census data not yet available; estimated on basis of Department of Commerce figures on increase in total personal income 1952 over 1951.

2. Local housing authorities are constantly adjusting their maximum income limits to meet changing conditions in their particular localities. As money incomes have risen and the cost of obtaining standard private housing has increased, maximum income limits have likewise been raised. This has resulted in a substantial increase in the money incomes of families admitted. But when changes in purchasing power of the dollar, or the cost of living, are taken into account it is seen that the real income of the families has remained about the

Sources: Bureau of the Census, Bureau of Labor Statistics, and Statistics Branch, Public Housing Administration.







EXHIBIT 11

INCOMES OF FAMILIES ALREADY RESIDENTS OF PUBLIC HOUSING  
CALENDAR YEAR 1952<sup>1</sup>

Incomes of residents are verified at least once a year after admission to determine whether the family is eligible for continued occupancy. In addition to the exemptions from net income for determining eligibility at admission, the law authorizes the exemption of all or part of any income of a minor in lieu of the \$100 exemption for that minor. This provision was included by the Congress so that families would not be made ineligible for continued occupancy because of temporarily increased incomes due to the employment of minors. While the family remains eligible the increased income is taken into account in determining the rent.

Annual income	Number of persons in family				
	1 <sup>1</sup>	2	3 or 4	5 or more	All families
<i>Income for eligibility</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
Total.....	100.0	100.0	100.0	100.0	100.0
Under \$1,000.....	67.2	28.3	11.0	6.9	15.5
\$1,000-\$1,499.....	17.3	29.6	20.2	13.2	20.0
\$1,500-\$1,999.....	8.6	19.5	19.3	18.2	18.7
\$2,000-\$2,499.....	4.0	12.6	18.3	20.2	17.1
\$2,500-\$2,999.....	2.1	6.2	15.5	18.3	15.8
\$3,000-\$3,499.....	.6	2.2	8.8	12.5	8.2
\$3,500 and over.....	.2	1.6	6.9	10.7	6.7
Median.....	\$796	\$1,348	\$1,988	\$2,291	\$1,885
<i>Net income<sup>2</sup></i>					
Total.....	100.0	100.0	100.0	100.0	100.0
Under \$1,000.....	65.9	24.1	5.6	2.0	10.6
\$1,000-\$1,499.....	18.1	30.7	17.8	6.8	17.4
\$1,500-\$1,999.....	8.8	20.6	20.5	15.9	18.7
\$2,000-\$2,499.....	4.2	13.4	19.3	20.0	17.7
\$2,500-\$2,999.....	1.9	6.7	16.8	20.6	15.2
\$3,000-\$3,499.....	.8	2.6	10.4	16.4	10.1
\$3,500 and over.....	.3	1.9	9.6	18.3	10.3
Median.....	\$815	\$1,408	\$2,154	\$2,626	\$2,087

<sup>1</sup> While single persons are not admitted, a surviving individual of a family may continue in occupancy if otherwise eligible. About 3 percent of the units were occupied by such individuals.

<sup>2</sup> Net income: Same as at admission.

The figures in this table cover all families whose incomes were verified for continued occupancy, including those families found ineligible to remain. The next table gives the incomes of eligible and ineligible families. (See Exhibit 12.)

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.



## EXHIBIT 12

FAMILIES FOUND ELIGIBLE TO REMAIN AND FAMILIES REQUIRED TO MOVE FROM PUBLIC HOUSING FOR LOW-INCOME FAMILIES <sup>1</sup>

The following table shows the net income of families whose incomes were verified for eligibility for continued occupancy during 1952. It shows the incomes of families found eligible to remain in occupancy and the incomes of those found ineligible and required to move.

Net annual income	All families	Families eligible to remain	Families required to move
Total.....	Percent 100.0	Percent 100.0	Percent 100.0
Under \$1,000.....	10.6	11.9	.....
\$1,000-\$1,499.....	17.4	19.3	.....
\$1,500-\$1,999.....	18.7	20.9	.....
\$2,000-\$2,499.....	17.7	19.6	1.5
\$2,500-\$2,999.....	15.2	15.8	8.9
\$3,000-\$3,499.....	10.1	8.8	22.1
\$3,500-\$3,999.....	5.2	2.8	25.9
\$4,000-\$4,499.....	2.3	.9	18.0
\$4,500-\$4,999.....	1.2	.....	9.8
\$5,000 and over.....	1.6	.....	13.8
Median.....	\$2,087	\$1,953	\$3,838

The following table gives the experience of local housing authorities with ineligibles over the period 1947-53. During the war, income regulations were relaxed by law and thus, at the end of the war, local authorities found themselves with a large number of families who were ineligible according to peacetime standards. Furthermore, during the war, evictions for excess income were not possible under rent control. On several occasions, the Congress postponed the removal of ineligibles because of the postwar shortage of housing.

Since 1947, ineligible families have become a constantly decreasing percentage of all residents. This percentage is now, however, at a level which may be expected to remain constant so long as incomes continue to rise, since there will thus always be some families found ineligible and under 6-months notice to vacate.

Year	Number of families becoming ineligible	Number of ineligibles removed <sup>1</sup>	Percent of all families ineligible on June 30
1947.....	29,337	28,718	28
1948.....	24,414	27,829	25
1949.....	19,435	32,104	21
1950.....	17,666	26,928	10
1951.....	18,620	21,239	8
1952.....	15,028	16,668	6
1953.....	* 9,475	* 9,435	5

<sup>1</sup> Includes families moving out and those becoming eligible because of reduced income or change in income limits.

\* First 6 months.

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.



EXHIBIT 13

GROSS RENT IN PUBLIC HOUSING FOR LOW-INCOME FAMILIES  
CALENDAR YEAR 1952<sup>1</sup>

Gross rent	Families admitted during 1952	Families already residents 1952
	Percent	Percent
Total.....	100.0	100.0
Under \$20.....	10.7	12.3
\$20-\$29.....	28.5	24.2
\$30-\$39.....	34.5	26.5
\$40-\$49.....	21.2	20.8
\$50 and over.....	5.1	16.2
Median.....	\$33.00	\$35.00

Gross rent is the rent including heat and all utilities. Most rents in public housing for low-income families cover heat and all utilities. When heat and utilities are not covered by the rent the estimated cost to the family is included in these figures.

The gross rent is related to a family's income and may not be less than 20 percent of net income less an exemption of \$100 for each minor in the family (other than the head of the family or his spouse).

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.

Year	Number of families receiving public housing	Number of families on waiting list	Percentage of families on waiting list
1952	1,000,000	1,000,000	100.0
1951	900,000	900,000	100.0
1950	800,000	800,000	100.0
1949	700,000	700,000	100.0
1948	600,000	600,000	100.0
1947	500,000	500,000	100.0
1946	400,000	400,000	100.0
1945	300,000	300,000	100.0
1944	200,000	200,000	100.0
1943	100,000	100,000	100.0
1942	50,000	50,000	100.0
1941	25,000	25,000	100.0
1940	12,500	12,500	100.0

<sup>1</sup> Includes families moving out and those becoming eligible because of change in income.  
<sup>2</sup> For 6 months.



## EXHIBIT 14

CHARACTERISTICS OF RESIDENTS OF PUBLIC HOUSING FOR  
LOW-INCOME FAMILIES<sup>1</sup>

Characteristics	Families admitted during 1952	Families reexamined Jan.-June 1952
	<i>Percent</i>	<i>Percent</i>
Race:		
White.....	68.1	59.3
Negro and other.....	31.9	40.7
Service status:		
Veterans and servicemen.....	48.2	33.6
No service connection.....	51.8	66.4
Minors:		
None.....	15.8	20.4
One or two.....	49.6	44.6
Three or four.....	26.2	26.0
Five or more.....	8.4	9.0
Average number of minors.....	2.09	2.07
Age of head of family:		
Under 25 years.....	22.0	7.9
25-44.....	60.0	60.8
45-64.....	12.3	21.7
65 and over.....	5.7	9.6
Assistance:		
Receiving assistance <sup>1</sup> .....	25.6	29.0
Not receiving assistance.....	74.4	71.0
Broken families: <sup>2</sup>		
As percent of all families.....	26.2	<sup>3</sup> 22.4

<sup>1</sup> Receiving public or private relief or recipients under Social Security or other public pension or payment plans.

<sup>2</sup> Families with minors and only one adult.

<sup>3</sup> For 1951; data for 1952 not yet available.

Some of the highlights of the above table and comparisons are as follows:

1. Negro families (and a small number of "other" races) represent about 32 percent of all families being admitted to and 41 percent of all families in low-rent public housing, although they are only about 8 percent of all nonfarm families in the United States. This reflects their lower economic status and greater inability to secure standard private housing within their means.

2. Of the families of veterans and servicemen admitted, 10 percent were families of disabled or deceased veterans or servicemen.

3. The more than 2 minors per family in public housing compares with 1.13 minors (under 18 years) per nonfarm family in the United States according to the 1950 Census.

4. Nearly 10 percent of families already in and 6 percent of the families admitted in 1952 had a family head 65 years old or over. Almost 12 percent of all nonfarm families in the United States, according to the 1950 Census, were headed by a person 65 years old or over.

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.



5. Twenty-nine (29) percent of the families who were living in low-rent public housing and whose eligibility was reexamined in the first 6 months of 1952, and 26 percent of those admitted during 1952, received some form of assistance.

6. Twenty-six (26) percent of families admitted and 22 percent of families already in the low-rent public housing in 1952 were broken families, that is, families with children but only one adult present

Category	Number of Families	Percentage
Total families	100	100%
Families with children but only one adult present	26	26%
Families receiving some form of assistance	29	29%
Families already in low-rent public housing in 1952	50	50%
Families admitted during 1952	50	50%

Some of the highlights of the above table and comparisons are as follows:

1. Negro families (and a small number of other races) represent about 32 percent of all families being admitted to and 41 percent of all families in low-rent public housing, although they are only about 8 percent of all nonfarm families in the United States. This reflects their lower economic status and greater inability to secure standard private housing within their means.
2. Of the families of veterans and servicemen admitted, 10 percent were families of disabled or deceased veterans or servicemen.
3. The more than 2 million per family in public housing compares with 1.13 million (under 18 years) per family in the United States according to the 1950 Census.
4. Nearly 10 percent of families already in and 6 percent of the families admitted in 1952 had a family head 65 years old or over. Almost 12 percent of all nonfarm families in the United States, according to the 1950 Census, were headed by a person 65 years old or over.

Source: Statistics Branch, Public Housing Administration



## EXHIBIT 15

TURNOVER AND DURATION OF OCCUPANCY IN PUBLIC HOUSING FOR LOW-INCOME FAMILIES<sup>1</sup>

1. Public housing for low-income families is not intended as a permanent place of residence. Its purpose is to provide temporary assistance to low-income families coming from the slums until such time as they can improve their economic condition to a point where they can afford standard private housing. Of course, there are some low-income families—broken families, the chronically ill or disabled, and old age families—who have little likelihood of improving their circumstances and who present a continuing problem. Furthermore, as the figures show in paragraph 6 below, Negro families stay in public housing a substantially longer time than white families, reflecting their lesser opportunity for increase of income.

2. The following table gives the annual move-out rates in public housing in terms of the families moving out as a percent of those in occupancy at the beginning of the period.

Year	Average annual move-out rate <sup>1</sup> Percent	Year	Average annual move-out rate <sup>1</sup> Percent
1952-53	26.2	1947-48	17.6
1951-52	23.9	1946-47	13.3
1950-51	24.2	1945-46	12.6
1949-50	22.9	1944-45	13.7
1948-49	18.8	1943-44 <sup>2</sup>	15.5

<sup>1</sup> 4 times the quarterly rate.

<sup>2</sup> Not available for earlier years.

3. Based on experience to date, families moving out of public housing had been in occupancy an average of about  $2\frac{3}{4}$  years.

4. The average family living in public housing has been a resident for a period of just under 4 years.

5. Based on the past 10 years' experience, during a substantial part of which period there was an extreme housing shortage, there have been 289 families housed for every 100 units in operation. If the most recent 5-year experience, during which period there was less stringency in the private market, is projected for 10 years, it would mean that 332 families would be housed in a 10-year period for every 100 units constructed.

<sup>1</sup> Source: Statistics Branch, Public Housing Administration.



6. The following table shows the experience of two groups of low-income families moving into public housing. Identical families are traced through the periods.

	White families	Negro families
<b>5-year experience, 1947-52:</b>		
Income of all families admitted, 1947.....	\$1,510.....	\$1,363.....
1947 income of families still in residence in 1952.....	\$1,436.....	\$1,350.....
Percent of families admitted in 1947 still in residence in 1952.....	20 percent.....	47 percent.....
1952 income of families still in residence in 1952.....	\$2,017.....	\$1,837.....
<b>3-year experience, 1949-52:</b>		
Income of all families admitted, 1949.....	\$1,646.....	\$1,512.....
1949 income of families still in residence in 1952.....	\$1,593.....	\$1,484.....
Percent of families admitted in 1949 still in residence in 1952.....	33 percent.....	58 percent.....
1952 income of families still in residence in 1952.....	\$2,076.....	\$1,869.....

NOTE.—All income figures are median net income of all members of the family (the difference between net income and gross income, because of authorized deductions, averages about \$50 per family).

Year	1947-52	1949-52
1952-53	20.2	22.9
1951-52	23.0	24.2
1950-51	24.2	22.9
1949-50	22.9	18.8
1948-49	18.8	

<sup>1</sup> 4 times the quarterly rate.  
<sup>2</sup> Not available for earlier years.

3. Based on experience to date, families moving out of public housing had been in occupancy an average of about 2 1/2 years.  
 4. The average family living in public housing has been a resident for a period of just under 4 years.  
 5. Based on the past 10 years' experience during a substantial part of which period there was an extreme housing shortage, there have been 289 families housed for every 100 units in operation. If the most recent 5-year experience, during which period there was less stringency in the private market is projected for 10 years, it would mean that 232 families would be housed in a 10-year period for every 100 units constructed.

Source: Statistics Branch, Public Housing Administration.



## EXHIBIT 16

ELIMINATION OF SUBSTANDARD HOUSING AND USE OF SLUM SITES  
UNDER PUBLIC HOUSING PROGRAM FOR LOW-INCOME FAMILIES<sup>1</sup>

1. Nearly 200,000 (199,400) substandard dwelling units had been eliminated through the public housing program for low-income families through June 30, 1953.

2. Of the total number of substandard units eliminated, 77 percent was accomplished through demolition, 17 percent through compulsory repair, and 6 percent through closing for occupancy.

3. Of the total equivalent elimination requirements under the original low-rent program, 98 percent had been met by June 30, 1953; the remainder had been deferred as provided by law in localities where a shortage of decent, safe, and sanitary housing existed. Of the elimination requirements for low-rent projects constructed under the war amendment, 81 percent had been accomplished by June 30, 1953, and the remainder was in a deferred status.

4. Of the equivalent elimination required for projects completed under the Housing Act of 1949, 22 percent had been accomplished by June 30, 1953, although the law allows 5 years after completion of the housing for meeting the elimination requirement.

5. Of the housing built under the original program of the Housing Act of 1937, 89 percent of the units were constructed on sites from which old structures had to be removed and but 11 percent were constructed on completely vacant land. Of the units on built-up sites, 47 percent of the units were constructed on dense slum sites and 42 percent were placed on partially vacant sites from which were removed, however, a substantial number of substandard dwellings.

6. For housing built under the war amendment (Public Law 671) to the Housing Act of 1937 less use was made of slum sites. While 79 percent of the units were placed on occupied sites but 27 percent were put on dense slum sites as against 47 percent in the regular program. The proportion of units on completely vacant land was 21 percent against 11 percent.

7. In the new program under the Housing Act of 1949 nearly 45 percent of the dwelling units under contract for assistance are to be located on slum sites. Of the units already completed or under construction 37 percent are on slum sites. This reflects the fact that many local housing authorities wished to place their first projects on

<sup>1</sup> Source: Public Housing Administration.



vacant or sparsely built-up sites so that they could relocate families from dense slum areas and build their subsequent projects in the slum areas from which the families had been relocated.

8. It should be noted that the Housing Act of 1949 provides that when public housing is built on a slum site or a site cleared under Title I (urban redevelopment) the elimination requirement is satisfied by virtue of removing the structures from that site:

1. Nearly 200,000 (102,400) substandard dwellings had been eliminated through the public housing program for low-income families through June 30, 1952.
2. Of the total number of substandard units eliminated, 77 percent was accounted for through demolition, 17 percent through compulsory repair, and 6 percent through clearing for other purposes.
3. Of the total equivalent elimination requirements under the original low-rent program, 63 percent had been met by June 30, 1952; the remainder had been satisfied as provided by law in localities where a shortage of decent, safe, and sanitary housing existed. Of the elimination requirements for low-rent projects constructed under the war amendment, 61 percent had been accomplished by June 30, 1952, and the remainder was in a delayed status.
4. Of the equivalent elimination required for projects completed under the Housing Act of 1949, 52 percent had been accomplished by June 30, 1952, although the law allows 5 years after completion of the housing for meeting the elimination requirement.
5. Of the housing built under the original program of the Housing Act of 1947, 89 percent of the units were constructed on sites from which old structures had to be removed and but 11 percent were constructed on completely vacant land. Of the units on built-up sites, 47 percent of the units were constructed on dense slum sites and 43 percent were placed on partially vacant sites from which were removed, however, a substantial number of substandard dwellings.
6. For housing built under the war amendment (Public Law 571) to the Housing Act of 1949 less use was made of slum sites. While 79 percent of the units were placed on occupied sites but 27 percent were put on dense sites as against 47 percent in the regular program. The proportion of units on completely vacant land was 21 percent against 11 percent.
7. In the new program under the Housing Act of 1950 nearly 45 percent of the dwelling units under contract for assistance are to be located on slum sites. Of the units already completed or under construction 87 percent are on slum sites. This reflects the fact that many local housing authorities wished to place their first projects on

Source: Public Housing Administration.



## EXHIBIT 17

HOW THE PUBLIC HOUSING PROGRAM FOR LOW-INCOME FAMILIES OPERATES AND ITS COST TO THE FEDERAL AND LOCAL GOVERNMENTS<sup>1</sup>

1. The need for public housing for low-income families in each locality is determined by the local housing authority (see Exhibit 6) in conjunction with and subject to the approval of the local governing body of the locality. It then makes application to the Federal Government for financial assistance.

2. When a local housing authority demonstrates to the satisfaction of the Federal Government that there is a need for the housing applied for which is not being met by private enterprise, the Government makes a preliminary loan to cover the cost of surveys and planning of specific housing developments.

3. The local housing authority then selects sites for the developments and has them appraised, has preliminary plans prepared by architects and engineers selected by it, makes firm estimates of the cost of the housing and its operation, and, so as to avoid any possibility of competition with standard private housing, determines through study and analysis of the private market, whether the maximum rents for admission to the proposed housing are at least 20 per centum below the lowest rents at which private enterprise (through new construction and available existing structures) is providing a substantial supply of decent, safe and sanitary housing toward meeting the need of an adequate volume thereof.

4. Under the law, the local housing authority must obtain a cooperation agreement from the local government. This agreement provides for payments in lieu of taxes of up to 10 percent of the shelter rents of the housing (tax exemption has been provided under State law and reviewed by the courts) and how the payment is to be distributed among taxing jurisdictions. It also provides for municipal services to be furnished to the residents of the housing and for any necessary street closings and off-site improvements in the same manner and to the same degree as furnished to other citizens. When a city, for example, makes a separate charge for supplying water or for collecting garbage or trash, the local housing authority makes the same payments that a private owner would make. Similarly, any off-site improve-

<sup>1</sup> Source: Public Housing Administration, Budget Branch. (Specific sources noted in text.)



ments not ordinarily furnished the private owners are paid for separately by the local housing authority. The following is quoted from the standard form of cooperation agreement in which the locality agrees:

PAR. 5 (a) Furnish or cause to be furnished to the Local Authority and the tenants of such Project public services and facilities of the same character and to the same extent as are furnished from time to time without cost or charge to other dwellings and inhabitants in the Municipality.

Par. 6 (b) It will accept necessary dedications of land for, and will grade, improve, pave, and provide sidewalks for, all streets bounding such Project or necessary to provide adequate access thereto (in consideration whereof the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned).

Par. 6 (c) It will provide, or cause to be provided, water mains, and storm and sanitary sewer mains, leading to such Project and serving the bounding streets thereof (in consideration whereof the Local Authority shall pay to the Municipality such amount as would be assessed against the Project site for such work if such site were privately owned).

5. After preliminary plans are completed and a cooperation agreement is entered into, a local housing authority furnishes a development program which contains all of the features of the specific proposal. On the basis of these submissions, the Federal Government, if it approves of the feasibility of the proposal and if it conforms to the requirements of law and regulations, enters into a contract with the local housing authority for financial assistance in the development and operation of the housing.

6. The contract between the local housing authority and the Federal Government provides that (1) the Federal Government will, if necessary, lend funds for development of the housing up to 90 percent of the cost and (2) will make annual contributions for a period not exceeding 40 years in an amount just sufficient to cover the difference between expenses of operation, including debt service, and the rental that low-income families can afford to pay up to a specified maximum. The maximum federal annual contribution equals level debt service on the development cost of the housing for a period not exceeding 40 years.

7. After the contract for assistance has been entered into with the Federal Government the local housing authority proceeds to acquire the site, prepare final plans and specifications and take competitive bids from private contractors for construction.

8. Financing during the course of development is obtained through short-term notes. The short-term borrowing may be from private sources or from the Federal Government. Of the short-term borrowing outstanding on September 30, 1953, on all public housing for low-income families, over 77 percent was obtained from private sources (see table attached to this exhibit).



9. As soon as feasible, the local housing authorities finance the housing through the sale of long-term bonds and retire the short-term notes with the proceeds. These are revenue bonds which, like other bonds of States and municipalities, are exempt from Federal taxes. The bonds are secured by the pledge of the Federal Government to pay, if necessary, annual contributions sufficient to cover debt service.

10. Of the long-term financing of housing developed under the program of the Housing Act of 1949, about 90 percent has been secured from private investors, as of September 30, 1953. This compares with about 40 percent private financing under the original program of the Housing Act of 1937 (see table attached to this exhibit). The large increase in proportion of private financing is due to amendments in the Housing Act of 1949 designed specifically to increase the participation of private capital in long-term financing of public housing for low-income families. It should be noted, however, that during 1953, because of conditions in the bond market, it has been more economical for local authorities to sell their longer maturities to the Federal Government. Thus, of the long-term financing during 1953, the Federal Government has taken about one-third; it is contemplated, however, that the bulk of the Federal participation will be refinanced by the sale of short-term notes to private investors.

11. Federal payments of annual contributions since the inception of the program have been as follows:

Fiscal year	Annual contributions paid	Maximum annual contributions	Payments as percent of maximum
1941.....	\$4,747,175	\$4,747,176	100.0
1942.....	9,925,891	11,258,951	88.2
1943.....	9,882,882	13,049,252	75.7
1944.....	10,129,997	14,436,885	70.2
1945.....	8,722,302	21,132,572	41.3
1946.....	7,136,736	21,115,314	33.8
1947.....	5,666,630	21,044,261	26.9
1948.....	3,334,900	21,044,002	15.8
1949.....	3,383,610	21,325,747	15.9
1950.....	5,737,706	21,321,123	26.9
1951.....	9,128,513	21,407,822	42.6
1952.....	12,565,987	26,215,103	47.9
1953.....	25,880,708	45,091,505	57.4
Total.....	116,243,037	263,189,713	44.2

NOTE.—It is estimated that annual contributions for fiscal 1954 will be \$43,300,000.

12. Annual contributions over the 13-year period have been 44.2 percent of the maximum pledged for payment if necessary. Payments under the 1949 program, however, have been substantially larger than those under the original program of the Housing Act of 1937. Under the original program contributions have averaged about 41 percent of maximum whereas on the basis of very limited experience under the



new program, actual payments have been about 75 percent of maximum. The larger payment on the new program is principally due to the fact that capital costs are substantially higher, that the maximum amortization period of the bonds has been reduced from 60 to 40 years, and that the interest rate has increased.

13. It is estimated that with respect to all public housing for low-income families which is completed or under construction by June 30, 1954 (including the authorization of 20,000 units for the current fiscal year), annual contribution payments will average \$79,700,000 per year. Actual payments for fiscal 1954 are estimated at \$43,300,000 and for 1955 at \$69,100,000. Of the \$79,700,000 average annual contribution, approximately \$14,100,000 will have an average of 42 years to run and \$65,600,000 will have about 39 years. At the end of the period of amortization, the public housing developments belong to the local housing authorities free and clear, to be operated in the localities without further Federal assistance. At June 30, 1954, the maximum Federal annual contribution pledged, if necessary, for all public housing for low-income families will be \$113,100,000.

14. In forecasting the amount of actual contributions it was assumed that contributions on housing developed under the old program would move up from an average of about 41 percent of maximum to 55 percent. This is in recognition of the fact that the principal experience thus far has been in a period of rapidly rising incomes in which low-income families could pay a larger share of the economic rent, that during a large part of the past period a portion of the housing was in temporary financing at lower interest rates, and that operating costs will increase as the projects become older. It was estimated that for housing under the new program actual contributions will amount to an average of 75 percent of maximum.

15. Annual contributions by local governments are the difference between full taxes on the housing and the payments in lieu of taxes made to the cities by the local housing authorities. Payments in lieu of taxes were set in the Housing Act of 1949 at 10 percent of the shelter rent of the housing.

16. With respect to public housing for low-income families completed by September 30, 1953, the full local taxes which would have been levied against the public housing developments if they had been privately owned were \$33,600,000 for the year. The localities received payments in lieu of taxes on this housing during the year in the amount of \$8,600,000, making the local contribution by way of tax exemption, \$25,000,000.

17. The following table summarizes the monthly economic cost (that is cost without subsidy, exclusive of the loss through tax exemption on local housing authority obligations which are discussed



below) for public housing units which had been completed through September 30, 1953. The table also shows how the economic cost was met.

	<i>Amount per unit per month</i>
Economic cost (with no subsidy) :	
Operating expense.....	\$17. 20
Utilities included in rent.....	7. 43
Debt service.....	21. 25
Full local taxes.....	10. 03
Utilities not in rent.....	1. 31
Total.....	57. 22
How economic cost is met :	
Tenant payments.....	\$34. 65
Rent.....	\$33. 34
Utilities not in rent.....	1. 31
Local contribution.....	7. 45
Full taxes.....	10. 03
Less: payments in lieu of taxes.....	2. 58
Federal contribution.....	14. 25
Other income.....	. 87
Total.....	57. 22

18. The above table shows the monthly economic cost for all units completed on September 30, 1953. There is considerable difference, however, between experience on housing built under the original program of the Housing Act of 1937 and the very limited operating experience with housing built under the program of the Housing Act of 1949. The annual contribution of the Federal Government under the original program amounts to \$5.70 per unit per month and under the newer program, about \$26.90. The difference between the two has already been explained (see par. 12 above). It should be pointed out that the Federal contribution of \$26.90 per unit per month is only slightly higher than the \$24.50 which was estimated to the Congress at the time of enactment of the Housing Act of 1949.

19. It could be considered that, in addition to the Federal annual contribution, there is an indirect subsidy by virtue of the Federal tax exemption of the bonds of local housing authorities. This type of subsidy, however, is not restricted to bonds for public housing for low-income families but is involved in any state or municipal bond issue for local public improvements such as schools, streets and roads, bridges, and water and sewer facilities. Without the feature of Federal tax exemption, the bonds of local authorities would sell at higher interest rates and the Federal annual contributions would have to be increased accordingly if the rents of the housing were to be kept within the means of low-income families.



20. Discussions have been held with representatives of the Federal Reserve Board and the United States Treasury to ask their assistance in measuring the tax loss on local authority obligations. It was agreed that there is no way of determining precisely who holds the local authority bonds nor what tax brackets the holders might be in. There was further agreement that it would be reasonable to assume that the characteristics of holders of local authority bonds are the same as those who hold state and municipal bonds generally. It is believed that the method described below gives a reasonable approximation of the tax loss on local housing authority bonds.

21. The Treasury estimated in 1951 that the tax loss on tax-exempt obligations of state and local governments was about \$300,000,000.<sup>1</sup> In that year the total interest payments by state and local governments on their obligations was \$649,000,000.<sup>2</sup> The tax loss through Federal tax exemption in 1951 was therefore about 45 percent of total interest paid. (It should be noted that the top corporate tax is scheduled to drop to 47 percent on April 1, 1954, which would reduce the tax loss estimate.)

22. Of the \$21.25 per unit per month debt service shown in the table in Paragraph 17 above it is estimated that the interest payments on the portion of the debt held by private investors was \$9.30. Applying the estimated tax loss of 45 percent to this figure gives a loss of about \$4.20 per unit per month for the current year. Of course, all of this housing is in the earlier years of amortization when the proportion of level debt service going to interest is high. If the interest were averaged over the amortization period, the average tax loss through tax exemption on all public housing for low-income families completed by September 30, 1953, would be \$2.60 per unit per month.

23. There is a substantial difference in the figures on completed units with respect to the original and the new program. The principal reason for the difference is the much higher proportion of the bonds in the program under the Housing Act of 1949 which is held by private investors and the higher interest rates. Although the average tax loss on all completed units is estimated at \$2.60 per unit, it is estimated that for units completed under the Housing Act of 1949 the average tax loss will be about \$4.90 per unit per month.

<sup>1</sup> Source: Hearings before the Committee on Finance, U. S. Senate, 82d Cong., 1st sess., on H. R. 4473, page 107—This estimate was at the proposed Treasury top corporate tax rate of 55 percent although the rate actually established was about 52 percent. It is also reported by the Treasury that the estimate includes a small amount for loss on partial tax-exempt Federal issues outstanding; the inclusion of this loss overstates somewhat the loss on state and municipal obligations alone.

<sup>2</sup> Source: Bureau of the Census, Governments Division, Release G-GF52 No. 1, table 5, p. 10.



24. Federal administrative expenses of the public housing program for low-income families cannot be viewed as a subsidy. It is, however, a cost to the Federal Government of conducting the program and seeing that it is administered in accordance with the law. The total funds appropriated by the Congress for administering the public housing program for low-income families since its inception in 1937 through June 30, 1953, were \$30,240,900. The total administrative expenses over this period were \$71,686,461. The difference is due to net interest income and other earnings. Total administrative expenses since enactment of the Housing Act of 1949 have been as follows:

Fiscal year:	<i>Total administrative expenses</i>
1950 -----	\$6, 284, 600
1951 -----	9, 744, 700
1952 -----	9, 320, 000
1953 -----	8, 158, 000
1954 (estimate) -----	6, 950, 000

25. The total administrative expenses include not only the cost of administering the regular program for low-income families but also operations under the war amendment (Public Law 671), a portion of which involved direct Government construction. These expenses cover administrative work done on development which to date has involved about 575,000 units, with nearly 400,000 completed or under construction and 175,000 in various stages of planning. The expenses also cover continued supervision on occupied housing for compliance as required by law.

#### STATUS OF LOCAL HOUSING AUTHORITY BORROWINGS AS OF SEPT. 30, 1953

	Housing Act of 1949	Housing Act of 1937	Total
Borrowings from sources outside PHA:			
Short term borrowings guaranteed by PHA.....	\$651, 070, 190	\$97, 786, 810	\$748, 857, 000
Long term borrowings secured by pledge of annual contributions.....	792, 654, 635	204, 576, 206	997, 230, 841
Total borrowings from sources outside PHA.....	1, 443, 724, 825	302, 363, 016	1, 746, 087, 841
Borrowings from PHA:			
Short term borrowings.....	205, 523, 740	16, 255, 211	221, 778, 951
Long term borrowings.....	84, 178, 749	281, 399, 650	365, 578, 399
Total borrowings from PHA.....	289, 702, 489	297, 654, 861	587, 357, 350
Total Local Housing Authority borrowings.....	1, 733, 427, 314	600, 017, 877	2, 333, 445, 191



EXHIBIT 18

DEVELOPMENT COST PER UNIT OF ALL PUBLIC HOUSING PLACED UNDER CONSTRUCTION BY LOCAL HOUSING AUTHORITIES UNDER THE HOUSING ACT OF 1949, AS OF JUNE 30, 1953

Item	Total	North-east	North Central	South	West	Puerto Rico <sup>1</sup>
Total development cost.....	\$10,475	\$12,107	\$11,430	\$9,699	\$9,551	\$6,656
Site acquisition.....	718	937	577	657	778	126
Site improvement.....	1,133	1,250	1,172	1,030	1,092	1,244
Dwelling construction and equipment.....	7,630	8,861	8,652	7,036	6,680	4,579
(per room).....	(1,569)	(1,834)	(1,763)	(1,441)	(1,368)	(954)
Nondwelling construction and equipment.....	208	215	221	205	184	202
Other <sup>2</sup> .....	786	844	808	771	817	505
Contingency <sup>3</sup> .....	438	501	437	419	384	303
Total development cost (including contingency).....	10,913	12,608	11,867	10,118	9,935	6,959
Number of rooms per dwelling unit.....	4.86	4.83	4.91	4.88	4.88	4.80

<sup>1</sup> Includes Virgin Islands.

<sup>2</sup> "Other" includes architectural and engineering costs, carrying charges and, overhead during construction.

<sup>3</sup> An allowance of about 4 percent is made for contingencies; what part of this ultimately will be used cannot be determined now.

NOTE.—Geographic divisions coincide almost exactly with those in Bureau of the Census definitions.

Source: Statistics Branch, Public Housing Administration.

STATUS OF LOCAL HOUSING AUTHORITY BORROWINGS AS OF  
SEPT. 30, 1953

Local Housing Authority	Total Borrowings	Outstanding	Retired
Alabama	1,234,567	1,100,000	134,567
Arizona	987,654	900,000	87,654
California	2,345,678	2,100,000	245,678
Colorado	765,432	700,000	65,432
Connecticut	543,210	500,000	43,210
Delaware	321,098	300,000	21,098
District of Columbia	109,876	100,000	9,876
Florida	1,567,890	1,400,000	167,890
Georgia	1,890,123	1,700,000	190,123
Idaho	456,789	400,000	56,789
Illinois	2,123,456	1,900,000	223,456
Indiana	1,345,678	1,200,000	145,678
Iowa	678,901	600,000	78,901
Kansas	567,890	500,000	67,890
Kentucky	432,109	400,000	32,109
Louisiana	789,012	700,000	89,012
Maine	210,987	200,000	10,987
Maryland	345,678	300,000	45,678
Massachusetts	567,890	500,000	67,890
Michigan	1,234,567	1,100,000	134,567
Minnesota	890,123	800,000	90,123
Mississippi	654,321	600,000	54,321
Missouri	1,567,890	1,400,000	167,890
Montana	321,098	300,000	21,098
Nebraska	456,789	400,000	56,789
Nevada	210,987	200,000	10,987
New Hampshire	109,876	100,000	9,876
New Jersey	1,890,123	1,700,000	190,123
New Mexico	567,890	500,000	67,890
New York	2,345,678	2,100,000	245,678
North Carolina	1,234,567	1,100,000	134,567
North Dakota	321,098	300,000	21,098
Ohio	1,567,890	1,400,000	167,890
Oklahoma	456,789	400,000	56,789
Oregon	210,987	200,000	10,987
Pennsylvania	1,890,123	1,700,000	190,123
Rhode Island	109,876	100,000	9,876
South Carolina	654,321	600,000	54,321
South Dakota	321,098	300,000	21,098
Tennessee	789,012	700,000	89,012
Texas	2,123,456	1,900,000	223,456
Utah	456,789	400,000	56,789
Vermont	109,876	100,000	9,876
Virginia	1,234,567	1,100,000	134,567
Washington	890,123	800,000	90,123
West Virginia	321,098	300,000	21,098
Wisconsin	1,567,890	1,400,000	167,890
Wyoming	210,987	200,000	10,987
Total Local Housing Authority Borrowings	32,109,876	29,000,000	3,109,876



## EXHIBIT 19

LEGISLATIVE HISTORY OF PROPOSALS TO REQUIRE LOCAL REFERENDA  
ON PUBLIC HOUSING<sup>1</sup>

## I. Federal

1. An amendment that would have required approval of Federally-assisted projects by a referendum of the voters in the locality at a general or special election was proposed by Senator Cain on behalf of himself and Senator Bricker in the debates preceding the enactment of the Housing Act of 1949 (Temp. Cong. Rec. April 19, 1949, p. 4894). It was defeated by a roll call vote of 55 to 21.

2. A similar proposal was made in S. 3410, 82d Congress, which died in Committee. HHFA Administrator Foley in response to the Committee's request for comments on the proposal stated as follows:

The United States Housing Act (§ 15 (7) (a) and (b)) now requires that the governing body of the city or town approve the application for preliminary loans for surveys and planning, and also that no contract for Federal loans or annual contributions may be made unless the governing body enters into a contract providing for local cooperation between the city or town and the local public housing authority in connection with the housing. In addition, the United States Housing Act (§ 10 (a)) provides that no contract for Federal loans or grants may be made without an agreement by the governing body of the locality that there will be elimination of substandard housing equivalent to the new units to be constructed. These requirements in the present law make it impossible for Federally-aided low-rent housing to be undertaken in any community without its consent and approval.

\* \* \* \* \*

Under present Federal legislation, the choice is left to the locality, so that if *it* feels that the issue of approving a low-rent housing project is important enough to warrant the expense and delay of a referendum, it may have such a referendum. The proposed subsection 1(a) of S. 3410 would deprive the locality of that discretion; would interfere with and indicate to the locality how its governmental affairs should be run; and would saddle the locality with the expense and delay of a special public vote on each low-rent housing project whether the locality wanted such a vote or not. Instead of providing for "more local control," subsection (a) of the bill would thus actually provide for less local control in housing matters.

## II. State

3. Since 1949, a total of 46 bills have been offered in the legislatures of 28 States, requiring some form of local referendum on public housing for low-income families. Of these 46 bills, 36 were defeated or

<sup>1</sup> Source: Legal Division, Public Housing Administration.



died in committee, 4 were passed but vetoed by the Governors, and 6 were enacted.

4. The reasons given by Governors for their refusal to approve are found in the following veto messages:

Governor Patterson of Oregon, May 14, 1953:

House Bill No. 470 provides that before a city or county shall acquire or construct a housing project or a redevelopment project, it must be submitted to the voters of the local unit and receive their approval. Irrespective of the merits of public housing and redevelopment, this bill constitutes an invasion of the home rule of our local governments. If the people of one community want the right to vote upon these questions they can make their wants known to their local representatives. If the people of another community want to leave these matters to the determination of their local representatives, they should have the right to do so. This is primarily a question for local control. For this reason, I am returning this bill without my approval.

Governor Stevenson of Illinois, August 7, 1951:

I herewith file in your office, without my approval, Senate Bill No. 50, entitled "An Act to amend Sections 3 and 8 of the 'Housing Authorities Act,' approved March 19, 1934, as amended, and to add Section 8a thereto." The adjournment of the General Assembly having prevented the return of this Bill to the House in which it originated within 10 days (Sundays excepted) after its presentation to me, the same is filed in your office with my objections. I veto and withhold my approval from this Bill for the following reasons:

This Bill provides that no new Housing Authority may be created nor may a federally aided housing project be commenced or enlarged until approved by a majority of the voters residing within the area of operation, except that if the project is in Chicago the residents of a ward any part of which is within 2 miles of any part of such project can vote at the referendum.

It evidently is the legislative intent that, except in Chicago, all the voters resident in the city, village, etc., shall be eligible to vote upon the question.

However, in Chicago the vote on such questions is on the basis of all precincts in any ward, any part of which ward is within 2 miles of any part of such proposed project or proposed enlargement of an existing project.

Thus, an individual who lives in a ward, a part of which is within 2 miles of the project, is eligible to vote even though he may live 5 miles away from the project, if the ward is sufficiently elongated to give him this tenuous hold on suffrage. But another person living at the edge of a ward nearest to the project, yet just in excess of 2 miles from the project, is ineligible to vote.

The Attorney General expresses grave doubt as to the validity of this bill in view of the decisions of the Supreme Court that a class cannot be created by arbitrary legislative declaration in order that it may be the recipient of special and exclusive legislative favors.

This Bill would enable only a segment of the population of Chicago to vote, while in other municipalities all the citizens are eligible. If all the people of Chicago were to have a voice in a matter of concern to its entire citizenry, less objection could be interposed to this prohibition of new projects or expansion of existing ones. But reposing the veto power in only certain persons by accident of residence in a particular locality would appear to be an unreasonable classification, particularly in the light of the legislature's pronouncements about the



purposes of our housing legislation and the findings of the Supreme Court as to the public's interest therein.

Entirely aside from constitutional objections, I am vetoing and withholding my approval from Senate Bill No. 50, however, because in my opinion it is incompatible with our system of government by representatives; because it would reverse our public policy on housing forged over the past two decades in Illinois; and because it would impair the social and economic welfare of our communities and our people.

This Bill would negate the principle of representative government by requiring frequent referenda on detailed administrative matters, instead of on questions of broad public policy. Responsibility for providing low-rent housing has been assigned to local housing authorities, subject to controls vested in the Public Housing Administration of the Federal Government, the State Housing Board, where State aid is involved, and the local municipal governing body. No program may go forward without the scrutiny and approval of the elected representatives of the people. The referendum method provided in this Bill would substitute a town hall meeting for representative government and is neither wise nor practical on isolated issues, where the legislature has provided a system of checks and balances. It would enable an interested minority to organize the opposition of those who might be fearful of, or inconvenienced by a proposed housing project, thereby blocking an improvement which would be beneficial to the entire community.

This Bill would retard the construction of urgently needed homes. Each new project, each new plan, each new site would require a separate interpretation to the voters. Experience has shown that every additional control affixed to the administration of the program has been at the expense of the results.

If the principle of this Bill were sound, why should not we require a referendum within 2 miles of each proposed new school in the city of Chicago before it could be built? And should not the State then require a referendum within two miles of any airport? Should the residents immediately adjacent to Congress Street have to approve its construction? Should we require a referendum around each particular area where a park is to be located? Should the surrounding neighborhood vote on whether to have new police and fire stations, hospitals, street car barns, a library, a tuberculosis sanitarium, a post office? Would the sponsors of this principle want each neighborhood to vote on whether people from other neighborhoods could use its parks and libraries?

It would be a dangerous doctrine to say that a public improvement which by law and judicial interpretation is for a public purpose, is now of concern only to the people in the immediate surrounding neighborhood. Who is to determine where the limit of interest ends? If this theory were to prevail, why 2 miles? Why, one might ask, should it not be one house, or one block, or 100 yards? To what extent would the sponsors of this Bill carry the notion that public improvements are only for the benefit, and therefore only the concern, of people in the immediate vicinity. Moreover, if this type of legislation were to become law in respect to low cost housing on what logical basis could the same right be withheld from the residents of areas to be redeveloped by private enterprise?

This Bill would result, moreover, in a waste of the taxpayers' money. The local housing authorities, receiving grants from the Federal, State, and city governments, would find their resources more and more depleted by the mass of administrative, legal and clerical detail of referenda at the expense of the primary purpose which is to create sorely needed housing. Moreover, this cumbersome procedure would take a double bite out of the taxpayers' pocketbook, since it



would impose unnecessary expenses of operation on the housing authorities, and unnecessary costs of referenda on the taxpayers.

Responsibility for low rent housing for families whose incomes are inadequate to secure decent, safe, and sanitary housing has been the accepted public policy of Illinois since 1934. This policy has become a part of the body of our law, reaffirmed in a succession of statutes and Supreme Court decisions. And it is the declared policy of the nation.

This Bill would reverse the long established public policy of Illinois and would cripple the private slum clearance program. Federal aid, now available to cities as an incentive to private redevelopment, is contingent upon the ability of the cities to show a plan for the relocation of the families residing in the clearance areas in "decent, safe and sanitary housing," within their rent-paying ability. A substantial percentage of the families now living in blighted areas are low income families. No alternative to public housing has yet been discovered which will enable those families to be relocated in standard housing.

This Bill would deprive the taxpayers of Illinois of their share of federal resources made available for the betterment of the communities. Funds available for slum clearance as well as for new housing for those quartered in sub-standard accommodations would bypass Illinois, while the taxes of Illinois citizens would continue to support such projects in numerous other States.

I think it unwise, indeed dangerous, to substitute government by referendum for government by representation even in this limited area. Nor can I approve such a transparent device to scuttle the low cost housing program and reverse the long established public policy of the state.

Governor Stratton of Illinois, July 17, 1953 :

I herewith file in your office Senate Bill No. 150, entitled, "An Act to amend Sections 2, 3, 8, 9, 17, 29, and 30 of the Housing Authorities Act, approved March 19, 1954, as amended, and to add Section 8a thereto."

I veto and withhold my approval from this Bill. The adjournment of the General Assembly having prevented the return of this Bill to the house in which it originated within 10 days (Sundays excepted) after its presentation to me, it is filed in your office with my objections, which are as follows :

The principal purpose of the amendments proposed by this Bill is to provide that no housing authority may initiate a project, which is to be exempt from general taxes or enlarge an existing or proposed project which is so to be exempt, until the question of taking such action is submitted to the voters residing within the area of operation of the authority, or, in case the area is entirely within the boundaries of a municipality having more than 500,000 population, to the voters in all precincts any part of which are within one mile of any part of the proposed project or proposed enlargement of a project.

This Bill has been one of the most controversial at the session of the General Assembly that has just come to a close.

On the one side it is argued that this Bill is in the best American tradition in that it permits voters to decide whether a housing project as proposed shall be carried to completion. It is asserted that the people living in the area, particularly those having homes or owning other property, are vitally affected in their standard of living as well as in the value of their property by the construction of a public housing project. It is said that they should have the right to determine what course the development of their area should take in the future. That there is great force in these arguments cannot be denied.

On the other hand, it is urged that because of doubts that must always exist as to the effect of a public housing project on property values, the probabilities



of the defeat of a project are at all times great. The result would be an indirect barrier to future public housing rather than a square facing of the issue of whether extension of public housing should be continued.

It is also pointed out that in such an election on public housing there is danger that citizens of the area may be divided into bitterly contesting factions, and that racial and other prejudices may be stirred to great heights of passion by the campaign preceding the election. It must be admitted that this point of view is based on substantial reasoning.

Over a long period of time I have given serious thought to this bill—even before it was officially presented to me for approval or veto. The conclusion which I have reached is that the Bill should be vetoed. To what has been said, I add the following comments:

(A) The citizens of a municipality are represented by their City Council or Board of Trustees and those in a county by the County Board. Such representatives are elected by direct vote of the people. It is these public bodies—the Councils, the Board of Trustees, the County Boards—which must make decisions on public housing. The members of those Boards represent the entire community, so that, all people being represented, a proper and rational decision should be possible of attainment.

(B) It is my feeling that the question of public housing for the future should be directly faced and considered. Rather than have an indirect destruction of public housing programs, it would be more candid if the problem were faced squarely and the legislative authorities would decide whether or not new public housing projects should be initiated.

(C) There has been a change of administration in Washington which also, through its agencies, plays a part in public housing. I am confident that sane and constructive leadership in this field of public activity will come from the new administration.

(D) In this session of the legislature, an important series of bills has been enacted which will do much to accomplish slum prevention in the future. As to areas that have already become slums, we do not want to place insurmountable obstacles in the way of their rehabilitation.

As I have indicated, this legislation has given me serious concern. I have attempted conscientiously to weigh both points of view. The conclusion stated in this veto message, I believe, is correct.

For these reasons, I veto and withhold my approval of Senate Bill No. 150.

We have been advised informally that the Governor of Indiana does not issue a veto message but that Governor Stricker is reported to have stated to a committee of the legislature that he vetoed the bill because it represents a change from our republican form of government and because he was afraid that it would set a precedent for referendums for all actions of local governing bodies.



EXHIBIT 20

LOCAL ACCEPTANCE OF PROGRAMS OF PUBLIC HOUSING FOR LOW-INCOME FAMILIES<sup>1</sup>

1. The law requires that before any financial assistance may be granted local housing authorities by the Federal Government, their applications must be approved by the local governing bodies of their communities.

2. Local governing bodies of more than 1,100 localities have given their approval to programs of public housing for low-income families. In 24 cases local governing bodies have reversed approvals previously given.

3. There have also been 78 local referenda on matters relating to public housing of which the Public Housing Administration has knowledge (it is possible that there have been other referenda about which the PHA has no information). Of the 78 known referenda, 30 resulted in approval of the program of public housing for low-income families and 48 resulted in disapproval. The issues in a number of referenda were not specifically on the approval or disapproval of public housing as in the case of referenda on rezoning. However, any referendum which did not permit public housing to proceed has been counted as a disapproval in the above tabulation.

<sup>1</sup> Source: Public Housing Administration.



## EXHIBIT 21

## CONGRESSIONAL CONSIDERATION OF RENT CERTIFICATE PLANS IN DEVELOPING LEGISLATION ON PUBLIC HOUSING FOR LOW-INCOME FAMILIES\*

The following is a record of consideration which was given by the Congress, in the course of enacting housing legislation, to proposals for rent certificates as a substitute for public housing for low-income families.

## I. What the Congress Was Asked to Consider

2. The record shows that over the period 1936 to 1949 a number of witnesses appeared before various Congressional Committees advocating a plan of rent certificates as a substitute for public housing for low-income families. The proponents of the plan have always presented it in general terms on the order of the statement by the National Association of Real Estate Boards quoted below. The United States Chamber of Commerce advocated direct rent assistance by local relief agencies in the hearings preceding the enactment of the United States Housing Act of 1937, but presented no further details of the operations of its plan.<sup>1</sup> The United States Building and Loan League similarly advocated the same principle without details of its operation.<sup>2</sup> The Home Builders Association of Metropolitan Washington advocated what appeared to be a combination of rent relief, government write-down of site cost and Federal tax exemption but there were no details of operation.<sup>3</sup>

3. Although witnesses testified in general terms, the two following published statements are illustrations of the principles of the rent certificate plan and how it would operate.

4. The first of these was published by the National Association of Real Estate Boards in 1943:

Public assistance should be given directly to families that cannot pay economic rents. This assistance should be administered through local welfare boards in the form of rent certificates adjusted to the needs and requirements of the

\* Source: Legal Division, Public Housing Administration.

<sup>1</sup> Hearings before the House Banking and Currency Committee, 75th Cong., 1st sess., on H. R. 5033 and S. 1685, pp. 228 and 249.

<sup>2</sup> Ibid. pp. 178, 186, 217-8, 226 and 227.

<sup>3</sup> Hearings before the Subcommittee on Housing and Urban Redevelopment of the Special Senate Committee on Post-War Economic Policy and Planning, 79th Cong., 1st sess., pursuant to S. Res. 102, conducted by Senator Taft (hereafter referred to as the Taft hearings) at page 2095; and Hearings before a Subcommittee of the Senate Committee on the District of Columbia, 78th Cong., 2d sess., on S. Res. 184 and S. 1699 conducted by Senator Burton (hereinafter referred to as the Burton hearings) at page 1093.



family. Such certificates must not be used to perpetuate slum conditions. A program such as this will insure that housing assistance goes where it is needed and only as long as it is needed. This is the straightforward American way of handling the problem.<sup>4</sup>

5. The second was published by the Producers' Council<sup>5</sup> in 1944. This statement is the only one found which describes in detail what a rent certificate plan is and how it might operate.

*Rental supervision plan.*—The principal function of the board would be to operate the Rental Supervision Plan in the community. Under this plan, the board would undertake to find suitable rental accommodations for particular relief families selected by the welfare agency of the local government. It would (1) inspect the physical characteristics of properties and approve or reject them, (2) examine the kinds and character of the services to be rendered by landlords and approve or disapprove, (3) determine occupancy standards which indicate the size, character, and composition of family which may properly occupy particular units, (4) establish the maximum rentals and service charges relief families would be permitted to pay for particular units, (5) negotiate or assist in the negotiation of leases between landlords and tenants, (6) supervise the relations between landlords and tenants during the periods of occupancy under the right of the community to examine the character of the services purchased with public funds, and (7) engage in such other related activities as will assist and protect relief families in expending rent relief funds to advantage.

*Selection of families.*—The basic concept of the plan is to approach the housing problems of low-income groups in terms of actual families. It is an extension of the present welfare relief process which provides rent monies to many of the families.

Families qualified for housing assistance would be selected from among the neediest in the community by individual case studies made by welfare workers. First consideration would be given to those who are housed in the poorest manner and least able to correct their housing condition. The quarters would be selected in relation to the needs of the families—particular families—not by the rentals they are able to pay. In other words, houses or flats will be selected for families, not families for houses.

The system stresses the importance of rehabilitating families and depends for its efficacy upon the remedies prescribed as a result of the individual family case studies and diagnoses.

The desirable policy to pursue would be to permit the assisted families to have a reasonably free choice as to where they live and the kind of quarters they select among the approved facilities available. Every effort should be made to prevent unnecessary colonization of relief families or to permit the system to operate in any manner which even identifies which families are receiving public assistance.

*Selection of properties.*—The board would invite private owners to submit properties for approval. The properties would be carefully inspected and analyzed with respect to enviroing conditions, safety, health, physical layout, condition, equipment, and all other pertinent characteristics. The board would

<sup>4</sup> Statement of policies adopted at the Second Realtors' War Conference at Cleveland, Ohio, November 19, 1943, as reproduced in *Headlines*, vol. 10, No. 49, December 6, 1943.

<sup>5</sup> "Toward a Postwar Housing Program," August 1944, pp. 53 to 55. This publication was described as a series of suggestions for study and discussion and did not represent the official position of the Producers' Council.



select and approve properties for occupancy by particular sizes and types of families and would determine rentals and services. Owners would then be in a position to offer their properties for rent to relief families or to refuse and withdraw them from this particular rental market.

Approval would usually remain in effect for a period of one or two years from the time a relief family takes occupancy. The board could insist upon the use of a lease clearly setting out the terms and conditions of occupancy.

*Renting Procedures.*—The local housing board would determine, for each family, the amount of rent required to house the family properly and would offer approved units of the proper size and character to the family. Neither the landlords or the family would be required to accept any particular proposal, although the relief family would not be permitted to live in unapproved quarters while receiving rent assistance.

*Amount of subsidy.*—Under the rental supervision plan the amount of the subsidy consists of the difference between the rent paid to the landlord and the amount toward rent paid by the family. Families whose incomes rise, after admission as tenants, to an amount which is  $3\frac{1}{2}$  times the rent of the quarters they occupy would be required to pay the entire rent and would thereafter not be receiving any assistance.

There are two methods by which the actual payment of rents may be accomplished. One method is to furnish the relief money directly to the family and permit it to pay the full rent to the landlord. The other is to have the housing board collect the relief family's share of the rent and pay the full rent to the landlord. The first method prevents the landlord from knowing the extent of the assistance the family receives. The second requires the board to collect rents from the families and involves a direct accounting between the board and the landlord.

## II. Claims for and Objections to the Plan as Expressed by Witnesses

6. The benefits of the plan as stated by the proponents were that ownership and operation of the housing would be left in the hands of private enterprise; the rental subsidy would encourage rehabilitation and construction in an otherwise unprofitable field and thereby improve housing conditions for families of low income; it would involve the least public expenditure of funds to accomplish the desired result of providing decent housing for low-income families; the subsidy would be strictly limited to an amount and for the period actually needed; and the "relief" label would tend to discourage families from wanting to continue to obtain assistance.<sup>6</sup>

7. Objections to the plan were that it would not produce additional decent housing because there was no possibility of assurance of adequate funds and a continuity of those funds<sup>7</sup>; that it was bound to cost more than public housing because public housing can obtain much cheaper financing, because profit and risk are eliminated in public housing, because public housing remains available for low-income

<sup>6</sup> No formal statement by the proponents of all the benefits claimed for the plan has been found. The above represents a composite of statements and references from presentations and discussions before Congressional Committees.

<sup>7</sup> Taft hearings, *supra*, pp. 1727-8.



families after the subsidy stops,<sup>8</sup> and because the cost of supervision of the rent certificate plan "to maintain a decent standard of housing" would be "very heavy";<sup>9</sup> that the degree of continuing supervision required would "make the controls established under O. P. A. appear like the gentle urgings of a Sunday School teacher";<sup>10</sup> and that private enterprise would never submit to the necessary regulations or it would cease to be private enterprise.<sup>11</sup> It was pointed out, in answer to the claim that housing was no different from groceries, that bad groceries are not put on the market and that there is no shortage of good groceries.<sup>12</sup> Concern was expressed before the Burton Committee as to what happens to the family and to the landlord when welfare funds are cut.<sup>13</sup> Resentment on the part of the owners was cited as a result of a determined effort made in Milwaukee to use the rent relief rolls as a means of forcing housing improvement.<sup>14</sup> New York Emergency Relief rent payments were cited as an example of the high cost and perpetuation of slums. It was stated here that double-decker dumb-bell flats that were 30 percent empty filled up and their values zoomed and that "it has been said that the \$30,000,000 annually given to tenants for rent payments for these flats would have sufficed to clean up almost half the city's slum and rehouse the occupants decently for 60 years."<sup>15</sup> In both the Taft and Burton hearings, and in the 1936 hearings leading up to the enactment of the United States Housing Act, objections were voiced, largely by representatives of social welfare agencies and groups, that it would put the stigma of the "relief client" upon a very great additional number of families, particularly Negroes as a class,<sup>16</sup> and that it was a reversion to the undesirable "dole" and "relief in kind" system.<sup>17</sup> These representatives also voiced objections to handling such cases on a case-by-case basis;<sup>18</sup> and expressed their fears of insufficient appropriation,<sup>19</sup> and the virtual impossibility to prevent misuse under actual conditions due to the fact that the families' needs for some kind of shelter would, in all instances, be a stronger force on the administering agency than the wish to maintain good building standards.<sup>20</sup>

<sup>8</sup> Ibid., pp. 1581-2.

<sup>9</sup> Ibid., p. 1728.

<sup>10</sup> Ibid., p. 1729.

<sup>11</sup> Ibid., pp. 1580-1.

<sup>12</sup> Ibid., pp. 1580 and 1727.

<sup>13</sup> Burton hearings, p. 1093.

<sup>14</sup> Ibid., p. 1095.

<sup>15</sup> Ibid., pp. 1093-4.

<sup>16</sup> Burton hearings, pp. 1116 and 1241; Hearings before the Senate Committee on Education and Labor, 74th Cong., 2d sess., on S. 4424, p. 91.

<sup>17</sup> Burton hearings, pp. 1095 and 1241. Taft hearings, pp. 1308 and 2095.

<sup>18</sup> Hearings on S. 4424, footnote 16, supra, p. 239.

<sup>19</sup> Burton hearings, p. 1241.

<sup>20</sup> Ibid., p. 1241.



8. The objections were summarized in the Taft hearings,<sup>21</sup> as follows:

(1) A large number of individuals would be added to the rolls of relief agencies.

(a) Millions of persons who need improved housing, including many who are otherwise financially independent, would be forced to accept rent relief through welfare agencies in order to pay rents sufficient to obtain housing which meets a minimum standard as defined by the respective municipalities.

(b) There would be many complex difficulties in establishing and maintaining the eligibility requirements governing assistance in the form of rent certificates.

(2) Local administration of the plan would be costly and complicated.

(a) Recurrent inspection of dwellings scattered throughout the city, record-keeping, income checks, investigations for millions of families living in substandard housing would involve a vast expenditure of public funds.

(b) Local welfare agencies would be able to cope with the administrative problems of this plan only if provided with largely increased appropriations for additional staff and facilities.

(c) Local welfare agencies would be forced to engage in the granting of relief in kind, a practice that is now being given up as unsound welfare policy.

(3) The rent certificate plan would be more costly to the taxpayers than the existing public housing program.

(a) The rentals of private housing meeting a minimum standard are about \$15 per month in excess of the unsubsidized rents of public housing. Therefore, the rent certificate plan of assistance would necessitate a very great increase in subsidy if the same standards are to be met.

(b) Public subsidy to low-income families to enable them to obtain adequate housing would continue. The burden of an increased subsidy, however, would fall on the taxpayers who support local welfare agencies. There is question as to whether sufficient funds would be allocated to welfare agencies for such a program.

(4) A needed new supply of low-rent housing would not be provided.

(a) The present program of rent allotments by welfare agencies often results in the housing of welfare clients in slum housing.

(b) The rent certificate plan would not provide the means for the construction of low-rent housing.

(c) Unless the supply of new low-rent housing is increased, progress cannot be made toward solving the problem of providing adequate housing for all families of low income.

(5) Substandard housing would not be eliminated.

(a) Even with the increased rents paid under the rent certificate plan, the improvement of blighted neighborhoods would not be assured, and there is no positive provision for the redevelopment of the slums.

(b) Localities would need improved housing codes and methods of enforcement. The facts are that few localities have adequate housing codes and enforcement experience. It is unreasonable to expect that the housing regulation activities of cities can suddenly be vastly improved and ex-

<sup>21</sup> Taft hearings, pp. 1727-8. The statement was approved by the executive committees of the Family Welfare Association of America, the American Public Welfare Association, and the American Association of Social Workers and by the National Committee of Housing Associations and the Board of Governors of the National Association of Housing Officials.



panded. Vigorous enforcement of adequate housing regulations would result almost immediately in a shortage of housing accommodations. In all areas where the percentage of vacancies of low-rental housing is low, excessive rents would prevail unless effective rent control were established; otherwise, public funds would be paid to the owners of substandard buildings, thus subsidizing and perpetuating poor housing and blighted areas.

### III. Congressional Consideration and Action

9. Although rent certificate plans have been proposed to Congress on numerous occasions since 1936, there has been no favorable action by any Committee or by either the House or Senate.

10. The plan was considered in the hearings in 1936 and 1937 leading up to the enactment of the United States Housing Act.<sup>22</sup> The Committee on Education and Labor concluded in its final reports on both bills<sup>23</sup> that:

The committee is convinced that in dealing with the housing of families of low income, systematic low-rent housing should be substituted for relief. This procedure will be cheaper for the Government, more beneficial to business, and infinitely more desirable to those of our citizens who are now living in slums and blighted areas, both in urban and rural parts of the country.

11. It was discussed at length during the course of the Taft Committee hearings on Housing and Urban Redevelopment.<sup>24</sup> That Committee rejected the plan in its final Report, stating its reasons as follows:

It has been argued before the subcommittee that such families should be assisted by rent certificates just as grocery stamps have been furnished to needy families. The number of families entitled to rent certificates upon any such basis would be infinitely larger than those requiring other relief. It is not at all certain that such a plan would bring about improvement in the bad housing accommodations that now exist. In fact, the scheme might work to maintain the profitability of slum areas and, consequently, to retard their elimination. It would certainly require a detailed regulation of private rental quarters both as to condition and rent.

While rejecting the proposal of rent relief as a solution for the housing difficulties of all low-income families, the subcommittee recognizes that rent relief will to some extent have to be given to families in special conditions of poverty or sickness that cannot even pay the rents for public housing.<sup>25</sup>

<sup>22</sup> Hearings on S. 4424, footnote 16, supra, pp. 91, 145, 148, 189, 200, 212, and 239; and Hearings on H. R. 5033 and S. 1685, footnote 1, supra, pp. 178-79, 226, 228, and 249.

<sup>23</sup> S. Rep. 2160 on S. 4424, 74th Cong., 2d sess., p. 7; and S. Rep. No. 933 on S. 1685, 75th Cong., 2d sess., at page 8.

<sup>24</sup> Taft hearings, footnote 3, supra, pp. 1307-8, 1580, 1726-36, 2016, 2086, 2095, and 2173.

<sup>25</sup> Report on Postwar Housing by the Subcommittee on Housing and Urban Redevelopment, August 1, 1945, 79th Cong., 1st sess. on S. Res. 33, p. 6.



12. The plan was discussed again in 1946 and 1949 on the floor of the Senate in the debates leading up to the enactment of the Housing Act of 1949.<sup>26</sup> No arguments were advanced in favor of the plan on the floor. Senator Ellender opposed it because it would “most likely prove more expensive to the taxpayer” and because “wherever some such method has been tried in the past it has tended to result not in the subsidization of existing decent housing but in the actual subsidization of slum dwellings.”<sup>27</sup> Senator Taft opposed it because:

The issuance of rent certificates would not insure the building of new houses or getting rid of slums \* \* \* [it] simply would enable the landlords to obtain more money, and no one would build any new houses or any new rental housing in the hope that when built, there would be a sufficient number of people with rent certificates to rent it. So it seems to us that the rent certificate plan would not in any way accomplish the purpose. Furthermore it would be more expensive. It would cover more people but it would be more expensive because everyone whose income was less than a certain amount would be entitled to an equal division of the rent certificate.<sup>28</sup>

Later in the same discussion Senator Taft stated:

Mr. President, I merely wish to say that another substitute which was proposed for the present public-housing subsidy was to subsidize private housing. The difficulty with that is that it requires an indefinite amount of Government regulation, and I do not believe that the people who build private housing are willing to submit to that kind of regulation. Furthermore, while it could be done, it would cost more in actual cash outlay than the public-housing subsidy costs, for the reason that the public-housing subsidy covers not only what we pay, but also the cost of exemption from local taxation. A private institution is usually unable to obtain such exemption, and also the private institution is not able to sell its securities on the same basis as that on which municipal corporations are able to sell their securities.

So the actual outlay to the Federal Government, if we try to subsidize private housing in a way exactly parallel and similar to the way we subsidize public housing which is being subsidized, would be considerably greater than the outlay for the present subsidy.

So it did not seem to us that that would be very practical, nor did we find any private operators who were willing to build housing for low-income families on a subsidized basis, with all the controls and Government regulations which would necessarily be involved—for instance, supervision in connection with the selection of tenants, and so forth—regulations and controls which are necessary or are now imposed by the public authority.

So I do not know. I have not been able to find any method of providing low-rent housing for families wholly unable to pay the costs of private housing, except the method we now continue in the pending bill, for housing at the rate of 125,000 units a year for 4 years.<sup>29</sup>

<sup>26</sup> Debate on S. 1592, Temp. Cong. Rec. April 11, 1946, pp. 3561-2, 3588, and 3589; and debate on S. 866, April 20, 1949, p. 4714.

<sup>27</sup> Debate on S. 1592, *supra*, p. 3562.

<sup>28</sup> *Ibid.*, p. 3588.

<sup>29</sup> *Ibid.*, p. 3589.



13. Senator Taft repeated his opposition in the debates in 1948 on the same grounds stating:

Can we solve the problem simply by paying tenants a sufficient amount to enable them to pay their rent, if they receive a very low income or no income at all? The general answer is that that will not solve the problem. There are still slum areas, and in all probability we shall not improve them. The persons who own them will simply receive larger rents. They may put the housing in better condition, but no one will build a new home on the chance that 10 years from today someone may not be receiving relief. We do not know whether it will work. We do not know how well relief tenants will be aided. We do not know whether the State will give them relief.<sup>30</sup>

14. Rent certificate proposals were also considered with respect to local application in the District of Columbia in the hearings conducted by Senator Burton in 1944,<sup>31</sup> and in the hearings before the Subcommittee on the Judiciary of the House Committee on the District of Columbia later in the same year,<sup>32</sup> with no resulting comment by the Committees.

<sup>30</sup> Debate on S. 866, footnote 26, supra.

<sup>31</sup> Burton hearings, footnote 3, supra, pp. 1092-6, 1116-7, and 1240-6.

<sup>32</sup> Hearings on H. R. 4819, 4847, and 4850 on the Elimination of Alley Dwellings, 78th Cong., 2d sess., pp. 305-8.



## EXHIBIT 22

FEDERAL GOVERNMENT FARM HOUSING PROGRAMS<sup>1</sup>

## The Housing Act of 1949

The Housing Act of 1949 implicitly recognized that in general the house and the farm are inseparable both legally and economically. Hence, the Secretary of Agriculture was given the responsibility for farm housing; the Administrator of the Housing and Home Finance Agency for rural nonfarm and urban housing. Farms were defined for this purpose as parcels of land that constitute a single operating unit on which agricultural products worth \$400 or more at 1944 price quotations are or can be produced. Thus despite price fluctuations of farm products a given parcel would remain under one jurisdiction.

The Secretary of Agriculture was authorized by the Housing Act of 1949 to undertake education, technical services, research, loans, and grants for the betterment of farm housing and farm building.

*Education and technical services.*—The Act strengthened existing educational programs and uniquely authorized on-site direct technical guidance to individual farmers. "Building plans, construction supervision and inspection, and advice and information regarding farm dwellings \* \* \*" were specifically mentioned. In practice, however, this phase of the Act has received little financial support. It cannot be said to have been used except in isolated localities and for a limited time.

*Research.*—Though he already had and used similar authority granted by previous legislation, the Secretary was authorized to conduct research and technical studies with a view to reducing the cost of construction. Economic research in this field has been largely discontinued. Technological research continues, though primarily under other laws.

*Financial aids.*—Loans and grants are authorized under the Act. Loans may only be made to owners of farms that lack "decent, safe, and sanitary dwellings" for owner-occupants, resident farm labor, tenants, lessees, or sharecroppers. An applicant for a loan must show "that he is without sufficient resources to provide the necessary housing \* \* \* on his own account." The borrower must show that "he is unable to secure the credit necessary for such housing and buildings from other sources upon terms and conditions which he could reason-

<sup>1</sup> Source: Study by staff members of Housing and Home Finance Agency.



ably be expected to fulfill." Through June 30, 1953, more than 17,000 individuals had received aid under this program. Obligated loans and grants (mainly the former) totaled nearly 83 million dollars.

A farm owner having an "adequate" farm with sufficient income from farming or other sources and sufficient equity or other security, may borrow the full cost of improvements. The term may not exceed 33 years. A twenty-year term is quite common. Interest is 4 percent. The security may be whatever the borrower has in his farm, together with such additional security as the Secretary may require. Each borrower must agree in advance that he will endeavor to refinance the loan whenever possible "upon reasonable terms and conditions." The Act also provides a moratorium on these and other types of Housing Act loans for as long as the Secretary deems necessary "upon a showing by the borrower that due to circumstances beyond his control, he is unable to continue making payments \* \* \* without impairing his standard of living." In event of foreclosure there may be no deficiency judgment if the borrower "shall have faithfully tried to meet his obligations."

A farm owner having a "potentially adequate" farm which can be sufficiently improved within 5 years to carry the loan and provide a reasonable standard of living may borrow under terms similar to those just described. In the case of the "potentially adequate farms" during the first 5-year period within which the influence of farm improvements is expected to materialize, interest and half the principal payment may be waived in any year or years in which payments cannot be met. In order to accomplish the expected improvements in connection with such loans, funds may be advanced for the purchase of additional land or for the development and improvement of the inadequate farm. Because of limited funds and the number of applications for assistance on adequate farms, loans are not now being made in connection with inadequate farms.

Other special loans and grants are authorized, though in practice little employed, to provide farmers who have neither "adequate" nor "potentially adequate" farms with such things as "repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, supplying screens, repairing or providing structural supports, or making other similar repairs and improvements." Such loans were authorized where necessary to remove hazards to the health of the applicant or community or to make the buildings safe. Assistance may be in the form of loans or grants or a combination thereof. A loan or a combined loan and grant may not exceed \$1,000 and a grant or the grant-portion of a combination loan-grant may not exceed \$500.



#### Other Department of Agriculture Programs

Numerous other programs of the Department of Agriculture have contributed directly to the betterment of farm housing. The cooperative Extension Service founded in 1914 whereby the Department, land-grant colleges, and county governments share responsibility helps to promote improved housing by conferences with farmers, distribution of house plans, demonstrations, etc. According to estimates in 1952, the Extension Service assisted more than 43,000 families with construction of new dwellings and nearly 106,000 with remodeling.

The farm ownership and development loans of the Farmers Home Administration frequently include funds that are used for repair, modernization, or construction of farm houses. For example, in fiscal year 1952, of about 18.8 million dollars loaned, more than 2.9 million were used for improvement or construction of dwellings. Perhaps as many as 1,800 dwellings benefited. In the same year, 10.7 million dollars of insured loans included 1.2 million for about 900 houses.

The Federal Farm Loan Act of 1916 established a nationwide system of Federal land banks which now are completely farmer-owned. Included in the purposes for which loans may be made is the provision of buildings. Though data are lacking to indicate the quantitative importance of loans for housing, informed sources indicate that this is a significant figure.

The Rural Electrification Administration created in 1935 has been largely instrumental, through a system of farmer-owned cooperatives, of extending electrical service until now, about 91 percent of all farms are electrified compared with 11 percent eighteen years ago. It now is helping to add numerous telephones as another home convenience for farm families.

Farm housing research, conducted under a variety of laws by Bureaus of the Agricultural Research Administration, is directed toward the design and planning of more livable farm homes. Studies of family needs and preferences and standards for household equipment are currently stressed.

#### Programs of the Housing and Home Finance Agency

Under section 203 (d) of the National Housing Act, the Federal Housing Administration is authorized to insure any mortgage which covers a farm upon which a farmhouse or other farm buildings are to be constructed or repaired and which meets the other basic eligibility requirements of section 203. The construction and repairs to be undertaken on such farm must involve the expenditure for materials and labor of an amount not less than 15 percent of the total principal obligation of the mortgage. Very few mortgages have been insured



under this provision, and the Housing and Home Finance Administrator has received a proposal from FHA that the authority to insure mortgages on farms as such be terminated.

The Federal Housing Administration insures mortgages and portfolios with improvement loans some proceeds of which are thought to be for farmhouses.

The predecessors of the Public Housing Administration at one time undertook farm housing and subsistence homestead projects on a small scale but such programs were discontinued.

The Housing Act of 1950 transferred 39 farm labor camps originally developed and operated by the Department of Agriculture to the Public Housing Administration. The law directed the PHA to operate the camps as low-rent public housing, principally for agricultural workers and to dispose of them to local agencies.

The 39 farm labor camps were located in 8 States and had accommodations for approximately 9,360 families or single persons who could be housed in cottages and apartments individually equipped with modern sanitary facilities or housed in one-room shelters and tents served by sanitary facilities in separate utility buildings.

As of September 30, 1953, 36 of these projects with approximately 8,560 units were under purchase and sale contracts with local housing authorities pending the execution of Administration Contracts and Quitclaim Deeds transferring title of the projects to the respective local authorities. One project, consisting of 302 units, was under lease with a local authority; one project, consisting of 196 units, was directly operated by the PHA; and one project, consisting of 295 units, had been terminated and demolition authorized since the accommodations were no longer needed in the particular location.

#### Programs of Other Agencies

A substantial number of loans made or guaranteed by the Veterans Administration are used at least partly for farmhouses.



## EXHIBIT 23

TEXT OF LETTER SENT BY SUBCOMMITTEE ON HOUSING FOR LOW-INCOME FAMILIES TO 76 ORGANIZATIONS AND 21 FEDERAL AND LOCAL HOUSING OFFICIALS AND FORMER HOUSING OFFICIALS, REQUESTING THEIR RECOMMENDATIONS ON A HOUSING PROGRAM FOR LOW-INCOME FAMILIES

As you know the President has appointed an Advisory Committee on Government Housing Policies and Programs which has been directed to “\* \* \* make, or cause to be made studies and surveys of the housing policies and programs of the Government and the organization within the Executive Branch for the administration of such policies and programs. \* \* \*” In appointing the Committee, the President said, “I have every expectation that such a review will develop for me a series of recommendations which will clearly identify the proper role of the Federal Government in the field and outline more economical and effective means for improving the housing conditions of our people.”

To facilitate the work of the Advisory Committee various Subcommittees have been appointed, among them the Subcommittee on Housing for Low-Income Families. The members of this Subcommittee are: Bruce Savage, President, Bruce Savage Co., Realtors, Indianapolis, Ind.; James Thimmes, Vice President of Congress of Industrial Organizations and Chairman of CIO Housing Committee, Washington, D. C.; Paul R. Williams, architect, Los Angeles, Calif.; Ben H. Wooten, President, First National Bank, Dallas, Tex.; and the undersigned, Director, Cleveland Metropolitan Housing Authority.

For the purposes of its study the Subcommittee is considering “low-income families” as those families who cannot afford to rent or purchase the private housing of acceptable standards, either new or existing, which is being made available in their communities.

In arriving at its conclusions, the Subcommittee would like to have the benefit of your thinking because of your experience as a housing official and your continued interest in housing problems.

[In the letter to organizations, the above paragraph read as follows: In arriving at its conclusions, the Subcommittee would like to have the benefit of the thinking and experience of organizations such as yours which are concerned with the problem of providing decent housing within the means of families of low income.]



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

We would appreciate having your recommendations and comments in as specific a form as possible. We would like you to consider the present Government-aided housing program for low-income families as contained in the Housing Act of 1949, in terms of its effectiveness, modification, expansion or curtailment, and any additional or alternative programs in which you feel the Government should participate. Your recommendations will be helpful to the Subcommittee if they are supported by facts and indicate clearly and specifically how they will meet the needs of low-income families.

Since our report must be completed within a very short time, we would appreciate a reply at your very earliest convenience so that we can give your recommendations the thought and study they deserve. [In the letter to organizations, a reply was requested by a specified date.] Please address your replies to Ernest J. Bohn, Chairman, Subcommittee on Housing for Low-Income Families, Attention: Milton B. Davis, Executive Secretary, Housing and Home Finance Agency, Room 410, Normandy Building, Washington 25, D. C.

Yours very truly,

ERNEST J. BOHN,

*Chairman, Subcommittee on Housing for Low-Income Families.*



## EXHIBIT 24

## SEVENTY-SIX ORGANIZATIONS AND TWENTY-ONE FEDERAL AND LOCAL HOUSING OFFICIALS AND FORMER HOUSING OFFICIALS TO WHOM LETTER WAS SENT BY SUBCOMMITTEE REQUESTING RECOMMENDATIONS ON HOUSING PROGRAM FOR LOW-INCOME FAMILIES

(An asterisk (\*) indicates that a reply was received. A few of the replies merely indicated that further information would be sent in at a later date.)

## Organizations

- \*1. National Association of Home Builders.
- \*2. National Savings & Loan League.
- \*3. Mortgage Bankers Association of America.
- \*4. Chamber of Commerce of the United States—(Construction and Civic Development Department).
- \*5. Institute of Life Insurance.
- \*6. American Bankers Association—(Savings and Mortgage Division).
7. American Life Convention.
8. Structural Clay Products Institute.
- \*9. National Association of Real Estate Boards.
- \*10. United States Savings & Loan League.
- \*11. The Producers' Council, Inc.
12. National Apartment Owners' Association.
- \*13. National Association of Mutual Savings Banks.
- \*14. National Retail Lumber Dealers Association.
- \*15. The Associated General Contractors of America, Inc.
- \*16. American Council on Human Rights.
- \*17. American Federation of Labor.
- \*18. Congress of Industrial Organizations.
- \*19. American Municipal Association.
20. General Dept. of United Church Women—(Christian Social Relations).
- \*21. American Council on Education.
- \*22. National Federation of Settlements and Neighborhood Centers.
23. National Jewish Welfare Board.
- \*24. Child Welfare League of America.
25. Congregational Christian Churches—(Council for Social Action).



- \*26. Co-operative League of the United States.
- \*27. Presbyterian Church in the USA—(Department of Social Education and Action).
- \*28. American Association of Social Workers.
- 29. National Council of Negro Women.
- \*30. National Housing Conference.
- \*31. National Urban League—(Department of Housing Activities.)
- 32. B'nai B'rith—(Americanism and Civic Affairs).
- 33. Family Service Association of America.
- \*34. National Lutheran Council.
- \*35. Methodist Church—(Department of Christian Social Relations—Women's Division).
- \*36. National Board of the Y. W. C. A.
- \*37. National Conference of Catholic Charities.
- \*38. National Council of Catholic Women.
- \*39. National Council of Jewish Women.
- \*40. American Home Economics Association.
- \*41. National Congress of Parents and Teachers.
- 42. Jewish War Veterans of the United States.
- \*43. National Association of Housing Officials.
- \*44. National Committee Against Discrimination in Housing.
- \*45. National Congress of Colored Parents and Teachers.
- \*46. National Council of Churches—(Department of Social Welfare).
- \*47. United States Conference of Mayors.
- 48. American Society of Planning Officials.
- \*49. American Association of University Women.
- \*50. American Public Welfare Association.
- \*51. International Association of Machinists.
- 52. General Federation of Women's Clubs.
- \*53. American Veterans of World War II.
- \*54. American Legion.
- \*55. National Association for the Advancement of Colored People.
- 56. National League for Nursing.
- \*57. National Social Welfare Assembly.
- \*58. National Institute of Municipal Law Officers.
- \*59. National Education Association of United States.
- \*60. American Veterans Committee.
- \*61. Disabled American Veterans.
- \*62. Veterans of Foreign Wars.
- \*63. Council of Jewish Federations and Welfare Funds, Inc.
- \*64. National Tuberculosis Association.
- \*65. Citizens' Planning and Housing Association of Baltimore.
- \*66. The Better Housing League of Cincinnati.



- \*67. Citizens' Housing and Planning Council of New York, Inc.
- \*68. Pittsburgh Housing Association.
- \*69. Community Service Society—(Committee on Housing).
- \*70. Housing Association of Metropolitan Boston.
- \*71. Metropolitan Housing and Planning Council—Chicago.
- \*72. Philadelphia Housing Association.
- \*73. Washington Housing Association.
- \*74. American Institute of Architects.
- \*75. Urban Land Institute.
- 76. National Catholic Welfare Conference—(Department of Social Action).

#### Housing Officials and Former Housing Officials

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>*1. Mr. Leon Keyserling.</li> <li>2. Mr. David Krooth.</li> <li>3. Mr. John T. Egan.</li> <li>*4. Mr. Raymond M. Foley.</li> <li>*5. Mr. Charles F. Palmer.</li> <li>*6. Mr. John B. Blandford, Jr.</li> <li>7. Mr. Coleman Woodbury.</li> <li>*8. Mr. Miles Colean.</li> <li>*9. Mr. Philip M. Klutznick.</li> <li>*10. Mr. Dillon S. Myer.</li> <li>11. Mr. Wilson Wyatt.</li> <li>*12. Mr. John M. Carmody.</li> </ul> | <ul style="list-style-type: none"> <li>*13. Mr. Nathan Straus.</li> <li>*14. Mr. Charles Abrams.</li> <li>*15. Mrs. Catherine Bauer Wurster.</li> <li>*16. Mr. Herbert Emmerich.</li> <li>*17. Mr. John Ihlder.</li> <li>18. Mr. Ferd Kramer.</li> <li>19. Honorable Edward S. Weinfeld.</li> <li>*20. Mr. Herman T. Stichman.</li> <li>*21. Alderman Robert Merriam.</li> </ul> |
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The Subcommittee received a large volume of correspondence, from both organizations and individuals, in addition to the replies to its letter noted above. All letters are a part of the permanent file of the Subcommittee.



- \*67 Citizens' Housing and Planning Council of New York, Inc. 67
- \*68 Pittsburgh Housing Association (Committee on Housing) 68
- \*69 Community Service Society—(Committee on Housing) 69
- \*70 Housing Association of Metropolitan Boston 70
- \*71 Metropolitan Housing and Planning Council—Chicago 71
- \*72 Philadelphia Housing Association 72
- \*73 Washington Housing Association 73
- \*74 American Institute of Architects 74
- \*75 Urban Land Institute 75
- 76 National Catholic Welfare Conference—Department of Social and Action 76

Housing Officials and Former Housing Officials

- \*1 Mr. Leon Keyserling 1
- \*2 Mr. David Keogh 2
- \*3 Mr. John T. Ryan 3
- \*4 Mr. Raymond M. Foley 4
- \*5 Mr. Charles E. Palmer 5
- \*6 Mr. John B. Blumfield 6
- \*7 Mr. Coleman Woodbury 7
- \*8 Mr. Albert Cohen 8
- \*9 Mr. Philip M. Knicker 9
- \*10 Mr. Dillon S. Myers 10
- \*11 Mr. Wilson Wyatt 11
- \*12 Mr. John M. Carmody 12

The Subcommittee received a large volume of correspondence from both organizations and individuals, in addition to the replies to its letter noted above. All letters are a part of the permanent file of the Subcommittee.

- \*13 Mr. Nathan Sussman 13
- \*14 Mr. Charles Abrams 14
- \*15 Mrs. Catherine Bauer Wurster 15
- \*16 Mr. Herbert Eisenstein 16
- \*17 Mr. John Hilder 17
- \*18 Mr. Joel Kanner 18
- \*19 Honorable Edward S. Wein 19
- \*20 Mr. Herman T. Siskman 20
- \*21 Alberman Robert Merriam 21



REPORT OF THE  
SUBCOMMITTEE ON HOUSING CREDIT FACILITIES

Meetings of this Subcommittee have been held on the following dates: September 29, October 6-8, October 11-13, November 2-5, November 16, November 19, 1953.

APPENDIX 4  
Report of the  
Subcommittee on Housing Credit Facilities

December 3, 1953

GEORGE L. BLISS, *Chairman*

A. R. GARDNER

RICHARD G. HUGHES

NORMAN P. MASON

AKSEL NIELSEN

ROBERT B. PATRICK

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DAVE LOWERY, *Executive Secretary*



PRESIDENT'S ADVISORY COMMITTEE ON HOUSING

December 3, 1953.

Mr. ALBERT M. COLE,

*Chairman, President's Advisory Committee on  
Government Housing Policies and Programs,  
Washington, D. C.*

DEAR MR. CHAIRMAN: We are pleased to submit to you herewith the report of the Subcommittee on Housing Credit Facilities.

We wish to express to you our appreciation for the confidence you reposed in us in naming us to this Subcommittee.

Sincerely yours,

GEORGE L. BLISS, *Chairman*

A. G. GARDNER

RICHARD G. HUGHES

NORMAN P. MASON

AKSEL NIELSEN

ROBERT B. PATRICK



## REPORT OF THE SUBCOMMITTEE ON HOUSING CREDIT FACILITIES

Meetings of this Subcommittee have been held on the following dates: September 30, October 5-6, October 14-15, November 2-3, November 16, November 29-30.

In order to secure as much background as possible with respect to government fiscal policy, the coordination or lack of coordination among the several agencies whose operations affect housing credit, and the aims, objectives, and problems confronting such agencies, the Subcommittee had the constructive advantage of listening to the following witnesses:

Mr. Guy E. Noyes, Assistant Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System.

Mr. J. Stanley Baughman, President of the Federal National Mortgage Association.

Dr. Gabriel Hauge of the White House Staff.

Mr. Walter W. McAllister, Chairman of the Home Loan Bank Board.

Mr. Everett Smith, Fiscal Agent for the Federal Home Loan Banks.

Mr. T. B. King, Assistant Deputy Administrator for Loan Guaranty of the Veterans Administration, and Mr. T. J. Sweeney and Mr. J. M. Dervan, also of the Veterans Administration.

Mr. Burton C. Bovard, General Counsel, Federal Housing Administration.

Dr. R. J. Saulnier, Consultant to the Council of Economic Advisers.

Mr. Joseph P. McMurray of the Staff of the Senate Banking and Currency Committee.

Mr. Orman S. Fink of the Staff of the House Banking and Currency Committee.

Dr. Winfield W. Riefler, Assistant to the Chairman, Board of Governors of the Federal Reserve System.

### SOURCES OF MORTGAGE CREDIT

The importance of housing credit in the economy is indicated by the following comparative statistics of mortgages for \$20,000 or less recorded annually, and of the outstanding mortgage debt on one- to four-family homes:



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[Millions of dollars]

Year	Mortgages recorded	Indicated repayments and refinancing	Net increase	Outstanding home mortgages at year end
1929.....	1 5, 184	4, 176	1, 008	18, 912
1934.....	1 3, 625	3, 347	278	15, 630
1939.....	3, 507	2, 935	572	16, 337
1944.....	4, 606	4, 494	112	17, 947
1949.....	11, 828	7, 593	4, 235	37, 496
1950.....	16, 179	8, 603	7, 576	45, 072
1951.....	16, 405	9, 605	6, 800	51, 872
1952.....	18, 018	11, 735	6, 283	58, 155
1953 <sup>1</sup> .....	19, 500	12, 700	6, 800	64, 955

<sup>1</sup> Estimated.

NOTE.—Mortgage recordings of \$20,000 or less include an unknown minor amount of mortgages on non-residential properties. Therefore, the derived repayments and refinancing figures shown also are rough estimates with regard to home mortgage debt repayments.

Source: Home Loan Bank Board.

The following table shows the major classifications of investors in mortgage loans on 1- to 4-family homes at December 31, 1952, and the net changes in their holdings during the preceding 12 months:

[Millions of dollars]

	Home mortgages held at Dec. 31, 1952	Net increase during year 1952
Savings and loan associations.....	17, 590	2, 789
Life insurance companies.....	11, 800	986
Commercial banks and trust companies.....	11, 250	975
Mutual savings banks.....	6, 180	849
Federal National Mortgage Association.....	2, 210	392
Individuals and miscellaneous.....	9, 125	292
Total.....	58, 155	6, 283

Source: Home Loan Bank Board.

As the foregoing figures reveal, the principal source of long-term home-mortgage loans is the long-term savings of the people, invested by them in savings accounts or time deposits in the banks and savings and loan associations, and in life insurance policies. In the aggregate, this group provides more than 80 percent of the volume of funds for the mortgage financing of 1- to 4-family homes. While equally comprehensive figures are not available with respect to the financing of multifamily properties, it appears from the information which is available that this same group of lenders also hold about 80 percent of the \$11 billion estimated mortgage debt outstanding on multifamily housing as of the end of 1952.<sup>1</sup>

<sup>1</sup>The estimate of \$11 billion, prepared by the Housing Finance Branch, HHFA Division of Housing Research, added to the HLBB estimate of \$58 billion outstanding for 1- to 4-family properties, makes for an estimated total of \$69 billion outstanding on nonfarm residential properties.



At the end of World War II, the country was faced with a substantial shortage of housing, due to the drastic curtailment of home construction during the four war years. In the years since 1948, new dwelling units have been started at a rate of more than a million per year. The relation between the net increase in the holdings of mortgages on one- to four-family homes by the savings and loan associations, mutual savings banks, commercial banks, and life insurance companies and the net increase in their aggregate savings volume during the period from 1946 through 1952 is shown in the following table:

Year	Net Increase in long-term savings in savings institutions	Net Increase in home loans held by savings institutions	Column 3 as percent of column 2
	Millions of dollars		
1946.....	9,386	3,836	40.9
1947.....	6,490	4,501	69.4
1948.....	5,447	4,477	82.2
1949.....	5,658	3,410	60.3
1950.....	5,694	6,882	120.9
1951.....	7,885	5,922	75.1
1952.....	12,405	5,599	45.1

Source: Home Loan Bank Board.

While the making or purchase of mortgage loans is an important investment activity of the financial institutions that provide what has been shown to constitute the source of more than 80 percent of all home mortgage credit, it is not their only field of investment. Subject to varying provisions of the laws under which they operate, such institutions may invest in bonds of the Federal Government, of the State governments, of municipal governments, and, in many cases, of industrial corporations, public utilities, transportation companies, etc. Since such financial institutions are under the competitive necessity of providing the highest possible return to those who entrust their hard-earned savings to them, each prospective investment is, likewise, in competition with other available investments. Thus it is that funds from the savings institutions will flow into mortgage loans most readily when they provide a rate of return that is competitive with other available forms of investment.

The operation of this principle is well demonstrated by an analysis of the annual net change in the holdings of different types of investment assets of life insurance companies, mutual savings banks, and savings and loan associations during the years 1946 to 1952, shown in the table below. These annual net changes in different types of investments resulted not only from the tendency of funds to flow into



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higher yield investments but also from other factors, such as the desire for a balanced investment portfolio, a period of real estate credit controls, and pressure to finance defense production capacity expansion. However, these influences notwithstanding, the tendency of investment funds to be directed toward higher yield investments is reflected in the following table:

[Billions of dollars]

Year	United States Government bonds	Other bonds	Stocks	Mortgages			Cash	Miscellaneous	Total
				Total	1-4 family	Other <sup>1</sup>			
1946.....	1.7	1.8	0.2	2.5	2.1	0.4	0.3	0.1	6.6
1947.....	-1.7	3.4	.1	3.6	2.8	.8	.3	.5	6.2
1948.....	-4.1	5.2	.....	4.3	3.5	.8	.1	.4	5.9
1949.....	-1.6	3.2	.3	4.3	2.8	1.5	.2	.3	6.7
1950.....	-2.4	2.1	.4	6.8	5.3	1.5	.2	.4	7.5
1951.....	-3.3	3.2	.1	6.8	5.1	1.7	.3	.6	7.7
1952.....	-.9	3.7	.2	6.4	4.6	1.8	.2	.8	10.4

<sup>1</sup> Includes mortgages on multifamily housing, commercial, industrial and farm properties.

NOTE.—Figures are not shown where annual net change was less than \$50 million. Figures on changes in stock investments of mutual savings banks for years prior to 1952 are not available, but are considered negligible, based on known historical data, and have been counted as zero in deriving the "miscellaneous" item obtained by subtraction of other items from total.

Source: HLBB, Source Book, 1953; Institute of Life Insurance, Life Insurance Fact Book, 1952, and Life Insurance News Data, current issues; National Association of Mutual Savings Banks, Mutual Savings Banking, February issues, 1946-52.

Despite the fact that the volume of mortgages of \$20,000 or less recorded in 1952 was at an all-time high (with an even higher rate shown in 1953 to date), and even though net additions to savings balances in savings institutions, banks and life insurance companies were at a peacetime high in 1952, there is an obvious inadequacy of funds for certain types of home-mortgage financing in various parts of the country. This is due to these reasons: (1) in the areas of greatest growth, the volume of local savings historically lags behind population growth, and (2) the ceiling interest rates on mortgage loans insured by the Federal Housing Administration or partially guaranteed or insured by the Veterans Administration under the provisions of the Servicemen's Readjustment Act have not been competitive at times with the rates of return on alternative forms of investment available to the financial institutions which, under normal conditions, are the source of four-fifths of the home-mortgage credit.

ADJUSTMENT OF INTEREST RATES TO MARKET CONDITIONS

While this condition prevails, there are bound to be localities with a shortage of local capital for mortgage loans, and there is inadequate inducement for funds to flow into these localities from other areas. If interest rates on FHA-insured and VA-guaranteed loans were allowed to rise and fall to meet the changes that occur in the investment



market, home owners would benefit as follows: (1) persons seeking loans to buy, build or maintain their homes would find funds more readily and generally available, and (2) the discounts on newly placed mortgages would be substantially eliminated, so that there would be no hidden costs and borrowers would know what they are paying for their loans.

It is the opinion of this Subcommittee that the most effective method of accomplishing such an objective is to place in a committee of technically-informed public officials the responsibility for a continuing review of the money market and for establishing a flexibility in the allowable rates on FHA-insured and VA-guaranteed loans. This will make it possible for interest rates to be at levels that will encourage home mortgage investments on the part of those financial institutions holding long-term savings. It will also facilitate the flow of such funds from the areas of more plentiful supply to those of greater need.

*Recommendation No. 1:*

That the necessary legislation be enacted to create a committee which shall be empowered and directed to review constantly the demand and supply of funds for home mortgages in all parts of the country and, from time to time, to confirm or revise, by majority vote, (a) the maximum rates of interest that may be charged on mortgage loans insured by the Federal Housing Administration or partially guaranteed or insured by the Veterans Administration (but which rates may not exceed by more than 2½ percentage points the current average yield on all outstanding marketable obligations of the United States Government having a remaining maturity of fifteen or more years; (b) the charges that may be made for the expense of originating mortgages insured by the Federal Housing Administration or partially guaranteed or insured by the Veterans Administration; and (c) the rate of interest on debentures issued by the Federal Housing Administration in settlement of foreclosure claims to be set at the time the note is insured, at a rate not higher than the current average yield on all outstanding marketable obligations of the United States Government having a remaining maturity of 15 or more years. The Subcommittee further recommends: That such committee shall consist of (1) the Administrator of the Housing and Home Finance Agency (who shall be chairman), (2) the Chairman of the Home Loan Bank Board, (3) the Commissioner of the Federal Housing Administration, (4) the Assistant Deputy Administrator for Loan Guaranty of the Veterans Administration, (5) the Chairman of the Board of Governors of the Federal Reserve System, and (6) the Secretary of the Treasury.



## SECONDARY MORTGAGE MARKET FACILITY

The unevenness and imperfections in the distribution of funds for mortgage financing that have been noted above have resulted in widespread discussion of the desirability of establishing what has been termed a secondary mortgage market facility to replace the Government-owned and financed Federal National Mortgage Association.

Several of the proposals that have been made to accomplish this are designed to attract funds from other sources than the major savings institutions. After a comprehensive study of this subject and the several specific proposals, the Subcommittee is of the opinion that there is little chance of attracting funds in substantial volume as a result of these plans. There are but two basic types of investable funds: Short-term funds, represented in the demand deposits of the commercial banks or held in cash for liquidity purposes, and long-term savings, which, as previously noted, are found primarily in savings accounts or time deposits in banks and savings and loan associations, and in life insurance companies. The volume of such funds as at December 31, 1952, was distributed as follows:

Short-term funds:	<i>Millions of dollars</i>
Money in circulation.....	30,433
Demand deposits <sup>1</sup> .....	99,793
Total.....	130,226
Long-term savings:	
Life insurance companies.....	62,000
Time deposits in commercial banks.....	39,300
Mutual savings banks.....	22,600
Savings and loan associations.....	19,200
Postal savings deposits.....	2,650
United States savings bonds.....	49,300
Private corporate trustee pension funds.....	10,000
Total.....	205,050

<sup>1</sup> Demand deposits of individuals, partnerships and corporations in commercial banks.

Sources: Federal Reserve Bulletin; HLBB; Dr. Roger F. Murray, Vice President, Bankers Trust Company.

The problem, then, is to devise a method by which the peaks and valleys can be levelled out, a more even flow of funds can be provided, and the funds that are available be more evenly distributed and more sensitive to the demands for them. This is accomplished in two ways: (1) by the development of local depositories for the savings of the people, in order to achieve the maximum effectiveness from the local employment of savings capital, and (2) by encouraging the financial



institutions engaged in mortgage lending to operate on a nationwide basis.

To increase the effectiveness of the local thrift institutions, the Federal Home Loan Bank System was established in 1932. Its services to its member institutions, principally in providing central credit machinery for institutional borrowing on mortgage loans, have materially aided their operations. As in the case of the Federal Reserve Banks in their relations with the commercial banks, the Federal Home Loan Banks are member-owned and operate without expense to the Federal government.

It is the opinion of this Subcommittee that a secondary mortgage market facility through purchasing and participating in FHA-insured and VA-guaranteed loans can level out the peaks and valleys in remote areas of the mortgage market, and relieve much of the mortgage financing problem of home buyers in these remote areas.

To achieve this end, the Subcommittee believes that the following principles and objectives must be observed:

1. Such a secondary mortgage market facility should be privately financed and should operate without expense to the Federal Government.

2. Its operations should be sufficiently sound from an economic point of view as to permit the sale of its obligations in the private market under favorable terms. Such debentures would not be guaranteed by the Federal Government.

3. It should take the form of a quasi-public corporation, operated under the direction and supervision of a board of directors, appointed by the President, and so constituted as to be in a position to prevent its being subject to pressures not consistent with its objectives.

4. With due recognition of the fact that a substantial volume of funds for mortgage lending can be found only in long-term savings, it should be the primary objective of the corporation to facilitate the flow of mortgage funds to areas where needed.

5. To that end, and in order to prevent efforts to use its facilities to create a primary market instead of a secondary market, the corporation should purchase mortgages only on the basis of imposing an automatic deterrent on those using its facilities.

6. Mortgages should be purchased by the corporation with the objective of selling them to mortgage investors in other areas, and only those mortgages should be purchased which are believed by the management of the corporation to have marketability under normal conditions.

7. A reasonable financial participation should be required of the of the financial institutions that would use its facilities.



It is the opinion of this Subcommittee that it is feasible to establish a secondary mortgage market facility on the foregoing principles and that best assurance of success would be had if substantial use were made of existing facilities and experience already in the Federal Home Loan Bank System. It believes that funds, experience and facilities can be provided from that source that will prove of immeasurable benefit to the new Corporation, which, nevertheless, would be an independent corporate entity separate and distinct from the Federal Home Loan Banks, but operated under the supervision of a common Board, as was the case with the Home Owners Loan Corporation.

*Recommendation No. 2:*

That legislation be enacted to create the National Mortgage Marketing Corporation, with the power to purchase and sell mortgages or participations therein on residential properties, for the purpose of facilitating the flow of mortgage funds into areas and sound programs where needed, and to assist in maintaining a balance between the supply and demand of funds for mortgage lending. Such legislation should contain the following provisions:

- (1) To provide an initial capital of \$50,000,000, the Corporation would open its books for subscription to its capital stock by companies and financial institutions eligible to do business with it for a period of ninety days, at the end of which time the Federal Home Loan Banks would enter a subscription for the remaining amount unsubscribed.
- (2) Companies and financial institutions eligible to do business with the Corporation would be supervised banks, savings and loan associations and insurance companies, and mortgage companies having a minimum capital of \$100,000.
- (3) Initially, the type of mortgages eligible for purchase by the Corporation would be mortgages on residential properties, if insured by the Federal Housing Administration or partially guaranteed or insured by the Veterans Administration under the provisions of the Servicemen's Readjustment Act.
- (4) Institutions selling mortgages to the Corporation would be required to own stock in the Corporation in an amount not more than 4 percent of the unpaid balance of mortgages so sold for so long as such mortgages remain the property of the Corporation.
- (5) The Corporation would be empowered to purchase mortgages in its discretion and at such price, in each instance, as it deems appropriate and to sell mortgages owned by it in its



discretion and at such price, in each instance, as it deems appropriate. It would also be empowered to purchase or to sell participations in qualified mortgages.

(6) For the servicing of mortgages while owned by it, the Corporation would be empowered to enter into contracts with its member institutions or with other local servicing agencies, at its discretion.

(7) The Corporation would have the power to issue its debentures in an amount not exceeding twelve times its capital and surplus, which obligations would be sold in the open market. Such issuance would be subject to the approval of the Secretary of the Treasury.

(8) The Corporation would have the customary powers of quasi-public corporations, and would be exempt from Federal and state taxation, but not from local real estate taxes on property owned.

(9) The Corporation would be required to carry to a reserve for losses at least 10 percent of its annual net earnings, until such reserve equals 50 percent of its paid-in capital, and thereafter to carry at least 5 percent of its annual net earnings to such reserve.

(10) By appropriate amendments to pertinent statutes, membership in the Corporation and the right to invest in its stock would be authorized to national banks and federal savings and loan associations.

(11) Obligations of the Corporation would be made a legal investment for trust and public funds, the investment of which are subject to Federal statute.

(12) Stock subscribed for by the Federal Home Loan Banks would be retired at par, plus cumulative dividends at the rate of 4 percent per annum to be paid on such stock (and on stock held by those entering initial subscriptions during the ninety-day period established for initial subscriptions), by the application of an amount not less than one-half of the Corporation's net annual additions to its surplus and reserves, plus such additional sums as the Corporation elects to allocate from the sale of stock to members, or from earnings, or from other sources.

(13) The name of the Home Loan Bank Board would be changed to "Federal Home Loan Board," and its membership increased to five persons, each of whom would be appointed by the President to serve for a term of ten years, with due regard



to broad representation of the home construction and home financing fields, but with a provision that not more than two members of the Board could be appointed from any segment of the home construction or home financing fields.

(14) Such Board would then constitute the Board of Directors of the Corporation, and it would have a full time president as chief executive officer, who would be appointed by the President of the United States, by and with the advice and consent of the Senate. The Corporation would be subject to a semi-annual assessment for its reasonable and proportionate share of the expenses of the Federal Home Loan Board.

(15) The authority of the Federal National Mortgage Association to purchase mortgages would be terminated and the National Mortgage Marketing Corporation would be designated as the liquidating agent of the FNMA to dispose of its portfolio of mortgages in an orderly manner.

#### VETERANS LOANS IN SMALL TOWNS

Since the third quarter of 1950, the Veterans Administration has been authorized by the Congress to make direct loans to veterans eligible for partially guaranteed or insured loans under the Servicemen's Readjustment Act in areas where they have been unable to secure such loans from private lending institutions. Currently the volume of direct loans is limited to \$25,000,000 per quarter year. Up to September 30, 1953, the Veterans Administration has disbursed approximately \$261,344,000 in 38,333 direct loan transactions.

The Subcommittee is sympathetic to the problem presented to the veteran who is eligible for the assistance in acquiring a home with a low down payment as contemplated by the provisions of the act, and whose home justifies the loan sought without finding a lending institution in a position to extend the necessary credit. In some measure, it believes this to be due to the burden imposed on small local lenders who make comparatively few home loans in the course of a year and who are under the necessity of keeping themselves current on the details of a labyrinth of technical regulations, which are being revised constantly. The Subcommittee commends the action reported in at least one state, where a group of lending institutions, through their trade association, has developed a plan of cooperation with the veterans' organizations so that applications for direct loans filed with the Veterans Administration and found to qualify under the act, have been placed with local lending institutions.



*Recommendation No. 3:*

That (1) the Veterans Administration seek the advice of qualified representatives of the more active groups of lending institutions in revising its regulations relative to the guarantee and insurance of loans under the Servicemen's Readjustment Act, to the end that they be so simplified as to permit a ready compliance by the smaller lending institutions that are not able to maintain staffs of technical experts and that (2) the representatives of state and national trade organizations of the several types of lending institutions be urged to appoint committees for the purpose of assisting in placing with private lenders applications for direct loans filed with the Veterans Administration and found to qualify under the Act, wherever practicable.

A further reason for filing direct loan applications has been the shortage of funds for mortgage lending in certain areas of the country, a subject which has been extensively reviewed in the earlier part of this report. It is the opinion of this Subcommittee that the provision for the appointment of a committee of technically-informed public officials with authority to establish a flexibility in the allowable interest rates, and the creation of the National Mortgage Marketing Corporation to provide secondary market facilities, as recommended in the preceding portion of this report, and the provision for the purchase of mortgage loan participations, as recommended in a subsequent section of this report, will facilitate the flow of a fair proportion of the available funds into all parts of the country and eliminate the necessity for the appropriation of further funds for direct lending by the Veterans Administration.

**GOVERNMENT LIABILITY ON FHA- AND VA-INSURED LOANS**

This Subcommittee has made some study of the contingent liabilities of the Federal Housing Administration with respect to mortgages that it has insured and of the reserves for losses thereon that have been accumulated to date. It is generally recognized that, since the establishment of the Federal Housing Administration in 1934, there has been an almost constant rise in real property values and that in consequence there has, as yet, been no test of the adequacy of the loss reserves of the Federal Housing Administration during any prolonged period of declining property values.

It, therefore, appears desirable that an extensive study be made of the experience of mortgage lenders over a long term of years, in order to form a basis for determining minimum reserve standards that should be achieved by the Federal Housing Administration.



*Recommendation No. 4:*

That an objective and independent long-range study be made of the prospective foreclosure and loss experience of the Federal Housing Administration's loan insurance programs.

With respect to mortgage loans partially guaranteed or insured by the Veterans Administration, no premium is charged and in consequence no loss reserves have been established. The contingent liability of the Federal Government in this direction at the end of September 1953 is now based on more than 2,688,000 guaranteed or insured loans outstanding, with estimated unpaid balances of approximately \$15,700,000,000, involving a contingent guarantee or insurance liability estimated at roughly \$8,500,000,000. It appears desirable that the government should know the extent of possible losses under this liability.

*Recommendation No. 5:*

That an objective and independent long-range study be made of the loss that may reasonably be anticipated on the loans subject to partial guarantee or insurance by the Veterans Administration under the provisions of the Servicemen's Readjustment Act.

#### DEVELOPMENT OF POTENTIALITIES OF LOCAL LENDING INSTITUTIONS THROUGH PARTICIPATION LOANS

One of the real problems for which the Subcommittee has sought a solution is that of making mortgage funds readily available to potential home buyers in areas of the country where there are not adequate current pools of capital. Some methods of meeting this problem have been suggested elsewhere in this report but the Subcommittee feels that one of the necessary steps in many areas is a mortgage loan participation plan.

In the small and remote areas of our country there are lending institutions, such as trust companies, banks, and savings and loan associations, whose understanding of local conditions and whose leadership in their communities make them the normal place for potential home buyers to seek mortgage loans.

One rational solution of this problem would be for the local institution to complete a satisfactory arrangement for a participation loan plan with a large institution having an adequate pool of capital. Then, when the local institution originates a mortgage loan, it would sell a participation in that loan to the larger institution in accordance with their previous agreement.

The larger institution would be in a position to assist the local institution in the paper work involved in originating and processing



an FHA- or VA-insured loan. Many of the small institutions now find it difficult to keep up to date on these changing rules and regulations.

Participation loans are not new to these local lenders. Many of them make short-term commercial loans on this basis. For example, in the western States, farm loans on cattle and the like are reportedly made on this basis.

As a result of some investigation, the Subcommittee is confident that the larger institutions engaging in nationwide lending would find investment in mortgages in the small communities desirable if originated on this basis, with the local institution servicing them and owning an interest in them.

The Subcommittee believes that such an arrangement would be beneficial to all the parties concerned. The large lending institutions would add sound mortgages to their portfolios without having to pay unusual finding fees. The lending institutions in the small communities would be given an opportunity to serve their communities and assist in their growth. The potential home buyer in these communities would have mortgage funds made available to them, with down payments and interest rates in line with those available in the larger urban centers, and still permit them to deal with local financial organizations in whom they have confidence.

If such a plan is put into effect, the Subcommittee suggests that the Federal Housing Administration and the Veterans Administration cooperate with veteran groups and the various segments of the home building industry in a nationwide effort to inform local lending institutions of the possibilities inherent in the participation loan plan. This plan, if properly implemented, will go far to eliminate the present remote area mortgage loan problem and that of direct Government lending to veterans.

*Recommendation No. 6:*

That appropriate amendments be made to the regulations of the Federal Housing Administration and of the Veterans Administration, relating to loans guaranteed under the Servicemen's Readjustment Act, so as to permit and encourage the origination and sale of participations in individual mortgages, and that appropriate amendments be made to Federal and State laws relating to the investment powers of financial institutions, where necessary to permit the purchase of such participations.



## ATTACHMENT

### PRESIDENT'S ADVISORY COMMITTEE ON HOUSING POLICIES AND PROGRAMS

Housing Credit Facilities Subcommittee Report, November 28, 1953

Richard G. Hughes, Pampa, Texas, member of the Housing Credit Facilities Subcommittee, submits the following report and urges its adoption by the President's Advisory Committee on Housing Policies and Programs, in substitution for the majority report of such Subcommittee.

#### I. Interest Rates

After careful consideration of the presentations made by the Subcommittee on Housing Credit Facilities, I am in agreement that the first necessity in providing an adequate flow of funds for FHA-insured and VA-guaranteed or insured mortgages is to place in a committee of technically informed public officials responsibility for a continuing review of the money market.

However there has been discussion within this Committee of possible replacement of the Housing and Home Finance Administrator with a Board of Directors. If this be the recommendation of the Committee, then the responsibility described above should be given, not to a committee, but to such over-all Board of Directors since determination of interest rate is fundamental policy affecting all housing and home finance operations. In the event that such over-all Board of Directors does not include representatives of the Veterans Administration, the Board of Governors of the Federal Reserve System and the Secretary of the Treasury, it should be specifically provided that such representatives sit with the Board of Directors when it meets to review mortgage money rates.

Such committee, or Board of Directors as the case may be, should seek to set a rate which reflects the longer cyclical swings in investment yields. It should recognize mortgage market conditions rather than seek to predetermine them. The rate should provide funds for FHA-insured and VA-insured or guaranteed loans at the lowest feasible rate (after taking into account the advantages to lenders of the insurance or guarantee) at which funds will flow in reasonable amount.

The task of fixing a proper rate is a delicate one. Interest rates on FHA- and VA-insured loans cannot and should not fluctuate from



week to week or month to month as is possible in the case of conventional loans in which the rate is set by day to day bargaining between thousands of borrowers and lenders. I feel that the rate should be adjusted from time to time—but not at regular or fixed intervals as recommended in the Subcommittee majority preliminary report—in the discretion of the committee or Board of Directors, as it deems necessary or advisable to reflect longer term swings in the pattern of investment yields. I do not feel that interest rates for these loans should be changed so frequently as to disturb the flow of investment funds or to cause a chaotic and spasmodic pattern of investment while lenders either await an increase or accelerate their lending to avoid an anticipated decrease.

Shorter term market movements, and differentials in the quality of the particular loan or the particular circumstances of the lender or the borrower should be reflected in the fees and charges permitted for FHA-insured and VA-insured or guaranteed loans.

Permissible interest rates and the fees and charges on both VA-guaranteed loans and FHA-insured loans covering one-to-four-family houses should be equivalent.

I feel that the rates set by the committee or Board of Directors should be subject to some reasonable statutory maximum. Within that maximum the committee or Board of Directors should seek to reflect a differential between mortgage interest rates and government bond yields of not more than  $1\frac{1}{2}$  percentage points (though 2 percentage points might be allowed in the law) over the then current average yield on outstanding marketable obligations of the United States having a maturity date of ten years or more.

## II. Participation Loans

I am particularly concerned with the problem of encouraging mortgage investment in the smaller towns which generally are remote from centers of investment capital and not adequately served. The Subcommittee has recommended that Veterans Administration and Federal Housing Administration encourage participation loans and that power to purchase participations be included in the authority of the Central Mortgage Bank.

I wish here to emphasize the possibilities of participation loans as a means of serving the smaller remote communities. Participation loans, in which the local bank advances a small part of the loan and services the entire loan and the major portion is provided by a larger bank from outside the area, have historically been employed as the main source of lending in remote areas in the cattle and oil businesses. The plan has worked successfully in those businesses, and I feel that it can provide tremendous help in the residential mortgage business.



It is my understanding that an extra service charge for mortgage loans in smaller towns is being recommended by the Subcommittee on FHA-VA Housing Programs and Operations. (See Recommendation No. 9 of that Subcommittee.) Although I agree with that recommendation, I believe that full use of the participation pattern, as I suggest, may render it largely unnecessary.

I feel further that a proper nationwide campaign by FHA and VA, in cooperation with veteran groups, material suppliers, and the various segments of the home building industry, following the pattern for participation loans by the Central Mortgage Bank, will go far to eliminate the present necessity for direct governmental loans to veterans.

### III. Central Mortgage Facility

There is general agreement that, regardless of interest rate, the distribution of funds for mortgage financing throughout the country is uneven and imperfect. In certain areas (notably the South, the Southwest and the Far West) rapid population growth is out of proportion to the rate of local capital accumulation. A Central Mortgage Bank in some form is essential if these areas are to import, from centers well supplied with capital, sufficient funds to meet their construction needs. Further, even in areas normally well supplied with local capital, there will be occasional brief, or seasonal, periods in which funds are temporarily not available.

A Central Mortgage Bank in some form is therefore essential to continued sound mortgage lending on a nationwide scale. Adapted to the peculiar needs of mortgage investment, it would provide a reserve facility comparable to the facility provided by the Federal Reserve System for commercial banking.

It is axiomatic that the need for such a facility will be proportionately reduced to the extent that interest rates on FHA-insured and VA-guaranteed or insured loans are fixed from time to time (as above suggested) at a level at which mortgage funds will rapidly flow. However, at any conceivable interest rate level the need for the facility will persist to some degree. For example, during years 1938-1942, in which the mortgage interest rate on FHA-insured loans was entirely acceptable to investors (the VA-guaranteed loan system had not yet been established), the Federal National Mortgage Association purchased an annual average of approximately 50 million dollars as follows:

1938.....	\$37, 952, 000
1939.....	92, 006, 000
1940.....	49, 293, 000
1941.....	45, 935, 000
1942.....	38, 813, 000



The necessity for a central mortgage facility to provide a sound and well distributed flow of mortgage funds will be *particularly necessary to meet the extra burden which will be thrown upon the mortgage lending system of this country in providing the volume of financing necessary to support the reconditioning and rehabilitation program and the recommendations of other Subcommittees of this Advisory Committee.* It is my understanding that proposals have been made to this Committee for the expansion of FHA insurance to meet types of need for which it does not now provide. I refer to those proposals to bring the productive forces of private industry to bear upon the tasks of rehabilitating blighted areas, reconditioning deteriorated structures, and of meeting the special needs of relocated and low income families. The mortgage system of this country has a grave responsibility in providing funds to make those programs possible. *The public interest will not countenance failure of these progressive programs by reason of lack of mortgage financing.*

The continued rapid industrial and population growth of the South, Southwest and Far West; the problems that may be expected as a result of readjustments from time to time in Federal credit and fiscal policies; the prospect of continued high demand for mortgage money; and the absolute necessity that the mortgage system find means to expand its services to the nation—all imperatively require a sound and *workable* mortgage reserve facility.

I agree with the Subcommittee that any such facility should operate as a secondary or reserve market and not as a primary buyer of mortgages; that it should be self-supporting; that it should conduct its business at such prices and on such terms as will reasonably prevent its excessive use; that it should operate within its revenues and without expense to the Federal Government and without resort to Treasury funds. I do not agree that provision by the Federal Government of the original capital for such a facility, in the form of a loan repayable with interest—particularly if funds used for that purpose do not come out of the Treasury—constitutes contribution by the Federal Government.

Moreover, I cannot agree with the exceedingly restricted viewpoint of the objectives and functioning of such a facility contained in the Subcommittee's report.

In my opinion, the objective of such a facility should be not merely the accumulation of maximum profit. It is equally important that it accomplish its only reason for being—the provision of an adequate and stabilized mortgage market so that homes may be provided in the *volume, in areas, of the kinds, and at the prices* that the market demands.



I heartily concur that the facility should be so organized and its Board of Directors instructed by the Congress to operate in such fashion as to avoid becoming a primary mortgage buyer. To accomplish this, the Board would necessarily have to conduct the operations of the facility in the light of the market for its debentures and of the current or reasonably foreseeable market (after a period of seasoning) for the loans which it buys. These natural limitations and the concept of purchasing at a price at (or possibly below) the market for the particular type of loan purchased would assure sound operation.

The Board of Directors, in my opinion, rather than attempting to support a par market, should bear in mind the interest of the Federal Government in a *progressive and forward-looking* mortgage market. Without vision and a progressive concept the facility cannot assist in providing a sound nation-wide mortgage market but could easily become a force working toward the deterioration of the mortgage market.

The proposals presented to the Subcommittee by various industry groups generally seemed to agree on two points: (1) That such a facility should obtain funds for its operation by the sale of its debentures and from payments (either for stock or as a fee for the use of the system) from users of the facility; and (2) That the facility should be controlled by a Board of Directors appointed by the President, with the advice and consent of the Senate. Beyond these two generalities, testimony before our Subcommittee differed widely as to the source of the facility's initial capital, the amount and type of its charges, and its functioning.

I am firmly of the opinion that the Subcommittee's recommendations will not and cannot result in the organization of a facility that would perform its intended functions as I see them and as I believe the public interest requires. I feel strongly that a facility established in accordance with the Subcommittee's recommendations will only serve to reduce the volume of mortgage lending; to tend towards increase of down payments on mortgage loans; to shorten mortgage maturities; and have a tendency to increase interest rates. Its effect on the mortgage market will not, in my opinion, be of any value whatsoever insofar as the great mass of mortgage borrowers are concerned. And, above all, it will not help to introduce to the market insured loans under the proposed FHA Sections 220 and 221.

The ability of the facility to perform its intended function depends, of course, entirely on its ability to sell its debentures at appropriate prices. On this point, no evidence of any weight was presented to the Subcommittee which would justify it in concluding, as it has, that a newly organized facility of the type proposed could successfully market its debentures. However, the facility, if operated as the Subcommittee suggests would not need to issue many debentures because it



would do little, if any, business. In this respect, therefore, in my opinion, the recommendations of the Subcommittee entail grave risk to the mortgage lending industry and to the continuance of a healthy home-building industry.

I feel further that the Subcommittee has entirely ignored the problem presented by the delays necessarily involved in establishing and staffing a new agency of government (as this would be). According to all governmental experience, the agency could not hope to commence to operate for at least one year from the date of enactment of legislation authorizing it.

In my opinion, the Subcommittee has failed to take into account, or even carefully to examine, the history and operating experience of the Federal National Mortgage Association, which was originally conceived in 1938 for the very purpose here under consideration. That agency performed its function *as a reserve facility* with notable success from its inception until the postwar years. Reference to its operating statistics (which were available to the Subcommittee) will show that down through the fiscal year ending June 30, 1948, it bought only in modest volume and its purchases were well balanced by resales, reflecting the ebb and flow of the availability of credit, as is the proper functioning of a central mortgage bank. The Subcommittee has unjustifiably assumed, in my opinion without proper consideration, that establishment of the type of secondary mortgage facility under discussion requires destruction of FNMA and substitution of an entirely new, different and untried facility. The Subcommittee has taken no account of the fact that use of FNMA in recent years as a governmental support operation, comparable to the Federal Reserve peg under government bonds which existed until early 1951, was at the direction of the Congress in an attempt to provide support to the 4% GI loan rate. It would be equally sensible to have concluded that the Federal Reserve System should be scrapped because, during the war years and until 1951, it supported government bonds at a price designed to permit Treasury financing at low interest rates.

It seems to me important to consider carefully that, under its existing statute, FNMA has legal authority to sell its securities to the public and has at least some experience in marketing its securities. In 1938 it offered two public issues of five-year notes which were heavily oversubscribed. In May, 1938, an issue of "\$25 million or thereabouts" at an interest rate of 2% was so heavily oversubscribed that subscription books were closed one day earlier than had been announced. Subscriptions were received from 4,500 subscribers for a total of \$1,305,000,000. Again, in December, 1938, an issue of "\$50 million or thereabouts" at 15/8% was announced and subscriptions received within five days from 2,000 subscribers for an aggregate of \$1 billion 175 million.



Since its organization in 1938, the Federal National Mortgage Associations has not only defrayed all its operating expenses out of its profits but has paid the Federal Government interest on every dollar of its borrowings and, in addition, has paid to the Treasury *aggregate dividends of \$91 million dollars.*

Even after such payment, as of September 30, 1953, FNMA had accumulated out of its earnings approximately \$42,500,000 which it carries on its books as undistributed surplus and reserve for losses. It is accumulating a net surplus currently at the rate of approximately \$2½ million dollars per month (August, 1953—\$2,554,887; September—\$2,557,984). Thus, by the end of the current fiscal year on June 30, 1954, (and legislation to establish a secondary mortgage facility could hardly be enacted much before then) there should have been accumulated in FNMA out of earnings a total of surplus and reserves of approximately \$65 million dollars.

I cannot conceive how any sound and objective examination of the problem of providing a secondary mortgage facility can ignore the fact that an appropriate facility could be simply and quickly established without undue shock to the sensitive mortgage market by amending the statute under which this agency, fully experienced in this type of mortgage operation, now functions. Nor do I understand how any objective consideration of the problem can ignore the tremendous task involved in handling the huge existing FNMA portfolio. It seems to me clear that the one reasonable and feasible method of transition from a policy of government support of the mortgage market to a secondary market operation *is to convert FNMA into the type of facility desired.* In that way, the market for debentures could be gradually tested; the facility could commence operation immediately upon enactment of legislation; and there would be no shock to the mortgage market through interruption of the important and delicate task now being performed by FNMA in servicing and gradually selling its existing portfolio.

I am cognizant of the fact that it would be desirable insofar as possible to initiate the new operation with capital not derived from the United States Treasury. I therefore recommend that at the time of its conversion into the secondary mortgage market facility here contemplated, *the Federal National Mortgage Association, out of its surplus and reserves, pay back to the Treasury the \$21 million in capital and paid in surplus originally provided to it, and that the remainder of its net earnings (in the form of its reserves and then undistributed earned surplus) be transferred into the capital account of the new facility.* This should start the facility in business with a capital account of approximately \$40 million, *none of which will be derived from the Treasury, but will have come from the earnings of*



the new facility's predecessor, in the same fashion as the new facility will thereafter accumulate capital and surplus through its own operations.

For all of these reasons I recommend that a secondary market facility be provided by amending Title III of the National Housing Act, as amended, to provide as follows:

1. The name of the Federal National Mortgage Association shall be changed to "National Mortgage Marketing Corporation", under which name it shall operate as a constituent agency of the Housing and Home Finance Agency. Thereafter, it shall function entirely on funds derived from its operations, as below described, and the legislation should make clear that no funds will be provided to it from the Treasury.

2. It shall have power to (a) purchase, service and sell mortgages insured by FHA or guaranteed or insured by VA, (b) purchase and sell participations in such mortgages up to 90% of the principal amount thereof, (c) lend on the security of such mortgages, and (d) issue its commitment for any of the foregoing purposes.

In exercising its said powers, it shall purchase or lend at prices and on such terms as will provide reasonable assurance that the facility will be used as a secondary and not as a primary market, bearing in mind the considerations expressed above in this report.

3. All of its powers shall be exercised under such general policies as its Board of Directors (hereinafter provided for) may, from time to time, prescribe.

4. In establishing general policies for the facility, the Board of Directors shall not be restricted with respect to (a) amounts which may be purchased from any one lender; (b) purchasing from the original lender; (c) maximum dollar limit on the original principal amount of a mortgage which may be purchased; (d) mortgages guaranteed or insured during a specified base period; or any similar present statutory restrictions on FNMA operations. However, the Board of Directors shall have power to prescribe these or other restrictions on the operations of the facility as the Board may deem necessary to assure sound operation and to meet the Nation's mortgage marketing needs.

5. The Corporation shall have customary powers of quasi-public corporations, including exemption from Federal and State taxation but not from local real estate taxes on properties it may own or acquire. The securities issued by the Corporation shall, in accordance with Federal policy, be subject to Federal income taxation.

6. (a) The present FNMA capital and paid in surplus of 21 million dollars shall be immediately repaid to the Treasury.



(b) Initial capital shall be provided to the new Corporation by transfer to it of the surplus and reserves of FNMA as of June 30, 1954. This should provide capital of approximately 40 million dollars.

7. (a) All the assets of FNMA shall be assumed by the Corporation for liquidation. Proceeds of the liquidation of the mortgages comprising such assets shall be applied on account of the indebtedness of FNMA to the Treasury, whether such proceeds are received by amortization of principal or by the sale of the mortgages (if such sale can be accomplished in an orderly manner without detriment to the mortgage market). Proceeds of debentures issued against such mortgages shall be allocated reasonably to such indebtedness and to establish reserves for such debentures.

(b) Net earnings of the Corporation in excess of estimated requirements for the succeeding year, as determined by the Corporation's Board of Directors, shall be transferred at the end of each fiscal year to the capital account of the Corporation, as earned surplus. Such surplus shall be used in the following order:

(1) to accumulate reserves up to \$50 million dollars, in order to assist in assuring marketability for debentures of the Corporation;

(2) to pay noncumulative dividends as the Board of Directors shall in its discretion declare, but at a rate not to exceed in any fiscal year the average rate of interest paid by the Corporation upon its outstanding debentures;

(3) to accelerate repayment to the Treasury of the FNMA indebtedness which the Corporation assumes; and

(4) after liquidation of such indebtedness, for such purposes as the Board of Directors of the Corporation may determine.

8. The Corporation shall do business only with banks, savings and loan associations, insurance companies and other lending institutions which are chartered and supervised by State or Federal authorities and with mortgage companies which are approved FHA mortgagees or specially approved by the Corporation as appropriately capitalized and experienced in mortgage lending.

9. The Corporation shall have power, with the prior approval of the Secretary of the Treasury, to issue its debentures in an amount not exceeding (a) 15 times its capital and surplus account plus (b) 1 billion dollars outstanding at any time or the then unpaid principal amount of the mortgages acquired from FNMA, whichever is less. The entire proceeds of debentures issued under (b) shall be paid over to the Treasury to retire the indebtedness due on FNMA's assumed portfolio.

10. (a) In order to do business with the Corporation, an eligible institution or company shall own stock in the Corporation in an amount equal to 2% of the unpaid principal amount of the mortgages or par-



ticipations it sells to the Corporation or of amounts it borrows from the Corporation, and shall at all times maintain ownership of stock in such proportion until the mortgage participation or loan is repaid to or sold or liquidated by the Corporation.

Such stock shall be non-voting; shall be entitled to receive non-cumulative dividends as may be declared, in the discretion of the Board of Directors, at a rate not to exceed in any fiscal year the average rate of interest paid by the Corporation upon its outstanding securities; and may, in the discretion of the Board of Directors, be redeemed by the Corporation after the Corporation has liquidated the indebtedness to the Treasury which it assumed from FNMA.

(b) At such time as the Corporation shall have fully repaid to the Treasury of the United States the FNMA indebtedness which the Corporation assumed, together with interest thereon, the Corporation shall apply on account of reimbursement to the Treasury of the original capital provided to it as described in 6 (b) above the amount of its capital account which has been derived from stock purchased by users of the facility or other subscribers. Amounts from subsequent users shall be similarly applied until the Treasury has been repaid with interest. The Corporation shall be entitled to retain surplus up to a maximum of \$50 million dollars. Thenceforward, the stock held by the users of the facility shall constitute the capital stock of the Corporation and the owners thereof shall be entitled to receive dividends thereon as the Board of Directors may in its discretion determine.

11. The affairs of the Corporation would be managed by a President appointed by the President of the United States with the advice and consent of the Senate. Policy matters of the Corporation would be determined by a five-man Board of Directors consisting of (1) the President of the Corporation, who shall serve as Chairman; (2) the Administrator of the Housing and Home Finance Agency; and (3) three private citizens appointed by the President, who shall be experienced in and broadly representative of home building or residential mortgage financing. Not more than two of the five members of the Board shall be appointed from any segment of the home building or residential financing industries. Members of the Board shall not receive compensation for their service as Directors but the three nongovernmental members shall receive actual travel expenses for attendance on Corporation business and a per diem. The three nongovernmental members shall be appointed for six year terms, staggered in such fashion that the term of one of them expires every two years.



The Board shall meet at least once each month and its meetings shall be attended by designees respectively of the Chairman of the Board of Governors of the Federal Reserve System and of the Secretary of the Treasury.

12. In addition to the Board of Directors, there shall be an Advisory Council of twelve members, appointed by the President for terms of six years, staggered in such manner that the terms of four of them shall expire every two years. Such persons shall be experienced in and broadly representative of home building and residential mortgage lending and shall generally represent the various areas of the country geographically. The Advisory Council shall meet at least four times during each calendar year and oftener on the call of the President of the Corporation. Its function shall be to advise the Board of Directors with respect to policy of the Corporation. Members of the Council shall receive no compensation for their services as such, but shall receive travelling expenses and per diem compensation.

13. Debentures issued by the Corporation may be of two types; (a) not guaranteed by the Treasury; or (b) guaranteed as to principal and interest up to such aggregate maximum amount, within the limit of the Corporation's debenture-issuing power as above described, as the Secretary of the Treasury may approve. It is contemplated that debentures of the latter type may be deemed advisable in order to provide a secondary market for loans under the expanded FHA authority recommended by other Sub-Committees in connection with rehabilitation and the provision of homes for relocated and low income families, and shall not exceed the amount of such loans acquired by the Corporation.

14. Initially, the Corporation would deal only in mortgages on residential properties insured by FHA or guaranteed or insured by VA. It would, however, be directed to study and report to the Congress with respect to the feasibility of dealing in other mortgages.

15. By amendment to appropriate statutes, national banks and federal savings and loan associations would be authorized to deal with the Corporation.

16. Obligations of the Corporation would be made legal investments for trust and public funds subject to federal law.

I believe this plan would work. Its debentures would sell because the Corporation would start with earnings of 30 million dollars per year. It would make Sections 220 and 221 work because it could provide funds needed to make it work while private lenders were waiting for time to prove that the new Sections were economically sound.



APPENDIX 5

Report of the  
Subcommittee on Organization of Federal  
Housing Activities in the  
Federal Government

December 3, 1953

AKSEL NIELSEN, *Chairman*

MILES L. COLEMAN

RODNEY M. LOCKWOOD

GEORGE L. BLISS

ERNEST J. BOHN

JAMES W. ROUSE

ROBERT B. PATRICK

THOMAS W. MOSES

ALBERT M. COLE

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NEAL J. HARDY, *Executive Secretary*



## REPORT OF THE SUBCOMMITTEE ON ORGANIZATION OF FEDERAL HOUSING ACTIVITIES IN THE FEDERAL GOVERNMENT

Your Subcommittee has heard a number of witnesses from within the Government and has polled a number of outside organizations and industry groups to obtain their views on the question of how best to organize the Federal Government's housing activities. While the recommendations from these various sources vary widely, there is one fact which is common to the diverse reports and recommendations—no one is satisfied with the present form of organization and assignment of responsibilities.

It is the opinion of your Subcommittee that there are three principal problems which should be resolved in developing recommendations for the reorganization of the Housing Agency. These are:

1. The present Housing and Home Finance Agency is headed by an Administrator who is responsible for "general coordination and supervision" of the activities of the entire Agency. Your Subcommittee has been impressed with the fact that "general coordination and supervision" appears to mean all things to all men and results in a situation which is satisfactory to no one. It is completely unclear as to what the responsibilities of the Administrator are and by the same token those responsible for constituent operations are equally unclear as to what their specific responsibilities for Agency operation are intended to be.

2. Even the task of carrying out the undefined responsibilities of supervision and coordination are somewhat ineffectually discharged because of the fact that the Administrator's immediate office has since 1947 been saddled with a substantial number of operating activities which have tended to divert that office from the major task of administering a central agency.

3. A serious question has been raised in several quarters as to whether it is possible to administer a smooth-running organization which contains such incompatible elements as grant-in-aid programs and business type activities. This difficulty has been characterized as tending to create a situation in which the government is administering neither sound credit activities nor sound welfare activities.



## SUMMARY OF PRESENT ORGANIZATIONAL SETUP

At the present time the Housing and Home Finance Agency consists of an Administrator's office which was originally assigned the task of general coordination and supervision. Since the creation of the Agency in 1947 the Administrator's office has been given by legislation or reorganization plan the following direct activities:

1. Slum Clearance and Urban Redevelopment.
2. Housing Research.
3. Community Facilities and Special Operations, including
  - (a) Maintenance and disposition of defense public works.
  - (b) Advance planning of non-Federal public works.
  - (c) Defense community facilities and services.
  - (d) Alaska housing program.
  - (e) Prefabricated housing loans.
  - (f) College housing program.
  - (g) School construction.
4. Disposition of Lanham Housing.
5. Programming of Defense Housing.
6. Federal National Mortgage Association.

In addition the Administrator has Staff Assistants for Compliance, International Housing Activities, Congressional Liaison, and Racial Relations. The Administrator also maintains a Legal Staff and an Administrative Staff, concerned with the general housekeeping functions of Budget, Organization, Personnel, Administrative Services, etc. There is also a staff assigned to a continuing appraisal of Agency programs.

In addition to the Administrator's office, the Agency now has three self-contained constituents: The Federal Housing Administration, the Public Housing Administration and the Home Loan Bank Board. Reorganization Plan No. 3 of 1947 also set up a National Housing Council on which representatives of the Veterans Administration, the Department of Agriculture, the Department of Defense, the Department of Labor, and the Department of Health, Education and Welfare are represented. The Housing Administrator is Chairman of the Council, and the heads of the three constituents serve as members. The National Housing Council appears to have no real authority, but was intended to operate as a forum charged with the responsibility of attempting to bring about a proper degree of coordination among the activities of all agencies of Government concerned directly or indirectly with housing.



## DEFICIENCIES IN PRESENT FORM OF ORGANIZATION

The major deficiency, in the opinion of your Subcommittee, in the present form of organization has been the loading of direct operating functions on the Administrator's office, thereby impairing the ability of that office properly to discharge its responsibility for supervision and coordination. The transfer and creation of one operating activity after another in the Administrator's office has necessarily led to duplication of skills with the constituent agencies and, more importantly, inadequate attention to the resolving of basic policy issues, which in the opinion of your Subcommittee, should be the principal function of a Housing Administrator.

Your Subcommittee has also been impressed by the testimony of witnesses to the effect that the Administrator of the Housing and Home Finance Agency is currently a Federal official with substantial responsibilities and virtually no authority to carry out those responsibilities. Regardless of the terms of the Reorganization Plan which established the Housing and Home Finance Agency, it is natural to expect the President, the Congress, and the public to look to the Administrator as the responsible top housing official in the Federal Government. At the same time he is without clear and unmistakable authority, except for those operations directly under his control, to do more than engage in diplomatic cajolery with the heads of the respective constituent agencies where conflicts of interest among the respective programs occur. Such a position, we are convinced, is untenable and does not follow the rudimentary principles of sound organization.

Such a situation is equally disadvantageous to the heads of the respective constituent agencies within the Housing and Home Finance Agency. The Subcommittee found much evidence of unresolved policy issues between the office of the Administrator and the several constituents. It also found ample evidence of needless friction resulting from a lack of any common or accepted understanding as to the extent of the Administrator's responsibilities and the appropriate functions of his staff, including a belief on the part of some constituent officials that there have been unreasonable administrative restrictions on the daily operations of the constituent agencies. These are added reasons why your Subcommittee cannot be satisfied with the present form of organization.

One of the unfortunate results of the present administrative setup has been the failure to achieve the degree of program integration which should prevail among the Federal Government's several housing programs. For example, the Public Housing Administration, the Federal Housing Administration and the Division of Slum Clearance and



Urban Redevelopment may from time to time each deal with the same community on what is essentially the same local project. Each of these Agencies has its own requirements and the city must deal separately with the three agencies involved. In the end the result is a series of annoying conflicts among administrative requirements resulting in long, expensive, and unnecessary negotiations before a project area is in fact cleared, a public housing project provided, and FHA insurance obtained on a redevelopment project. Other examples, not quite so pointed but none the less irritating, could be recited.

Certainly a major deficiency in the present organizational framework is the failure to include the Veterans Administration Loan Guaranty Program within the policy framework of the single housing agency. The result has been a gradual build-up of duplicated field activities and in an unfortunate number of cases an outright competitive approach to the underwriting of guaranteed and insured loans between the Federal Housing Administration and the Veterans Administration.

#### GENERAL RECOMMENDATIONS

Your Subcommittee has seriously considered the possibility of divorcing the grant-in-aid programs now within the housing agency from self-supporting business type activities. While there is much which is appealing to the Subcommittee in this approach, we have finally concluded that such a surgical cure would probably be more detrimental from the standpoint of sound management of the Executive Branch than would be a tighter reorganization of all housing functions within a single over-all agency.

Your Subcommittee therefore recommends that the Housing Agency be headed by an Administrator appointed by the President and subject to confirmation by the Senate. The Administrator of the new reorganized agency should have no direct operating responsibilities but should be given necessary staff assistance. The staff assistance should include such officials as a Chief Counsel, a Chief Economist, a Budget Officer, and Staff Advisers for Compliance, Racial Relations, and Labor Relations. Each of these officials should be top-notch experts, and should be given only such modest staffs as are necessary for them to carry out their assigned task of advising the Administrator in their respective fields. They would be expected, however, to give real leadership (through the respective heads of the constituent agencies) to the staffs of the constituents.

It is further recommended that the remaining functions of the Agency be reorganized into five principal constituents, headed by Presidentially appointed officials, each of whom shall be subject to the



supervision of the Administrator on matters of policy. The five constituents are identified as follows:

1. The Federal Housing Administration, perhaps renamed the Federal Mortgage Insurance Administration.
2. The Public Housing Administration.
3. A new agency responsible for slum clearance, urban redevelopment and community facilities activities, perhaps named the Urban Renewal Administration.
4. A Board responsible for the administration of both the Federal Home Loan Bank System and the National Mortgage Marketing Corporation, perhaps renamed the Federal Home Loan Board.
5. A liquidation unit, responsible for the management and disposition of Lanham housing, loans to the manufacturers of prefabricated housing, Alaska housing loans, etc. This unit might be called the Housing Management and Disposition Administration.

It is further recommended that this fifth unit be responsible for the management and liquidation of acquired properties resulting from the activities of the Federal Housing Administration and the National Mortgage Marketing Corporation. There seems little reason for each major constituent to establish separate mortgage servicing or property management units when all such activities are so similar in nature that they could well be consolidated.

It is further recommended that the Administrator be provided with a statutory Advisory Board composed of the heads of the five constituents above described and a representative of the Administrator of Veterans' Affairs. The Administrator should be required to review thoroughly with such Board all current major policy matters with a view toward arriving at the best possible across-the-board decisions. It should be clear, however, that in the event the Advisory Board is unable to reach a conclusion on particular policy questions or if the Administrator is unable to approve the conclusions of the Advisory Board, that his own decision can be independently made and enforced. With the establishment of the Advisory Board there would seem to be no further need for the National Housing Council and it is therefore recommended that this latter organization be abolished.

#### REASSIGNMENT OF MISCELLANEOUS AUTHORITIES NOW IN THE ADMINISTRATOR'S OFFICE

Your Subcommittee recommends the following disposition of the several operating activities now in the Administrator's office:

1. *Slum clearance and urban redevelopment.*—This program, amended to transform and extend it into a broad program of urban renewal, should become the nucleus of a new constituent known as



the Urban Renewal Administration. It is also recommended that staff of the Community Facilities Service not otherwise transferred (see below) be assigned to this constituent.

2. *Housing research.*—This program is now in liquidation and your Subcommittee does not recommend that it be reinstated on the former basis. At the same time, your Subcommittee is impressed with the need for better current statistical data on the volume and types of residential construction, mortgage financing trends, etc. It is the opinion of the Subcommittee that better data of these types should be obtained through the Bureau of the Census and other data collection facilities in the Department of Commerce, and the Bureau of Labor Statistics, agencies which have the facilities for collecting such information on a completely objective basis.

3. *Community facilities and special operations.*—This organizational unit now includes a number of miscellaneous programs. The Subcommittee suggests the following disposition of these activities:

(a) *Maintenance and disposition of defense public works.*—This represents the windup of the Lanham Act public works provided in World War II. The remaining workload is small, and should be liquidated as rapidly as possible by staff transferred to the Housing Management and Disposition Administration.

(b) *Advance planning of non-Federal public works.*—This activity is also in liquidation and should be expedited to conclusion by the new Urban Renewal Administration.

(c) *Defense community facilities and services.*—This is an emergency activity under Public Law 139, 82nd Congress. Your Subcommittee is not impressed with the need for continuing this legislation, and recommends that it be allowed to expire on June 30, 1954. Staff transferred to the Urban Renewal Administration should windup any remaining projects as rapidly as possible.

(d) *Alaska housing program.*—Your Subcommittee is of the opinion that the need for this program has passed. Any cases in process could well be delegated to the Housing Management and Disposition Administration or to the Federal Housing Administration for handling, and no new business should be accepted.

(e) *Prefabricated housing loans.*—Your Subcommittee is agreed that this program has properly been placed in liquidation. It further recommends that the servicing and disposition of outstanding loans be assigned to the Housing Management and Disposition Administration.

(f) *College housing program.*—Your Subcommittee is of the opinion that this is not properly a housing activity. It should be transferred to the Office of Education, Department of Health, Education and Welfare.



(g) *School construction program.*—Your Subcommittee is of the opinion that this is not a proper activity of a housing agency, and recommends that it be assigned to the Office of Education, Department of Health, Education and Welfare.

4. *Disposition of Lanham housing.*—Although responsibility for this function vests in the Housing Administrator, actual operations have been delegated to the Public Housing Administration. Your Subcommittee is of the opinion that it is a mistake to merge a program of housing disposition with a program of low-rent housing, and therefore recommends that this activity be transferred to the new Housing Management and Disposition Administration.

5. *Programming of defense housing.*—Your Subcommittee is of the opinion that this activity could well be abandoned, and does not recommend an extension of Public Law 139, 82nd Congress. Any windup necessary to the termination of this activity could well be delegated to the Federal Housing Administration.

6. *Federal National Mortgage Association.*—Your Subcommittee recommends that the Federal National Mortgage Association be transferred, for purposes of liquidation, to the new National Mortgage Marketing Corporation.

7. *Staff services.*—Your Subcommittee recommends that international housing activities be transferred to the Foreign Operations Administration. It also recommends that Compliance and Racial Relations Activities be maintained in the Office of the Administrator as necessary to the proper discharge of supervisory responsibilities.



Executive Order 10486

PROVIDING FOR THE ESTABLISHMENT OF THE ADVISORY  
COMMITTEE ON GOVERNMENT HOUSING POLICIES AND  
PROGRAMS

By virtue of the authority vested in me by the Constitution and Statutes, and as President of the United States, it is hereby ordered as follows:

1. There shall be established the Advisory Committee on Government Housing Policies and Programs.

2. The Committee shall make, or cause to be made, studies and surveys of the housing policies and programs of the Government and the organization within the Executive Branch for the administration of such policies and programs, and shall advise the Housing and Home Finance Administrator and the President with respect thereto.

3. The Housing and Home Finance Administrator shall serve as the Chairman of the Committee, and the other members of the Committee shall be appointed pursuant to the provisions of this Executive Order and Section 601 of the Housing Act of 1949 (63 Stat. 439; 12 U. S. C. 1701H).

4. To work directly with the Housing and Home Finance Administrator in the task of directing specific studies and surveys and developing concrete recommendations, there shall be in the Committee an Executive Committee, consisting of members of the Committee designated for such purpose, and the Housing and Home Finance Administrator shall serve as the Chairman of such Executive Committee.

5. Administrative expenses in connection with the work of the Committee, including expenses of advisers and consultants appointed by the Chairman in connection therewith, shall, upon authorization therefor by the Chairman or his delegatee, be paid pursuant to the authority therefor under the heading, "Housing and Home Finance Agency, Office of the Administrator" in the Supplemental Appropriation Act, 1954 (Public Law 207, Eighty-third Congress, approved August 7, 1953).

DWIGHT D. EISENHOWER.

THE WHITE HOUSE,

September 12, 1953.



Pursuant to Executive Order 10486 the President appointed the following persons as members of the Advisory Committee on Government Housing Policies and Programs:

GEORGE L. BLISS, *President*,  
Century Federal Savings & Loan  
Association,  
New York, N. Y.

ERNEST J. BOHN, *Director*,  
Cleveland Metropolitan Housing  
Authority,  
Cleveland, Ohio.

EHNEY A. CAMP, JR., *Vice Presi-  
dent and Treasurer*,  
Liberty National Life Insurance  
Co.,  
Birmingham, Ala.

MILES L. COLEMAN,  
Economist and Author,  
Washington, D. C.

A. R. GARDNER, *President*,  
Federal Home Loan Bank of Chi-  
cago,  
Chicago, Ill.

RICHARD J. GRAY, *President*,  
Building and Construction Trades  
Department,  
American Federation of Labor,  
Washington, D. C.

RICHARD G. HUGHES, *First Vice  
President*,  
National Association of Home  
Builders,  
Pampa, Tex.

RODNEY LOCKWOOD, *Past Presi-  
dent*,  
National Association of Home  
Builders,  
Detroit, Mich.

WILLIAM A. MARCUS, *Senior Vice  
President*,  
American Trust Co.,  
San Francisco, Calif.



NORMAN P. MASON, *Treasurer*,  
William P. Proctor Co.,  
North Chelmsford, Mass.

ROBERT M. MORGAN, *Vice President and Treasurer*,  
The Boston Five Cents Savings  
Bank,  
Boston, Mass.

THOMAS W. MOSES, *Attorney*,  
Pittsburgh, Pa.

AKSEL NIELSEN, *President*,  
Title Guaranty Co.,  
Denver, Colo.

ROBERT PATRICK, *Financial Vice President*,  
Bankers Life Insurance Co.,  
Des Moines, Iowa.

JAMES W. ROUSE,  
The Moss-Rouse Co.,  
Baltimore, Md.

BRUCE C. SAVAGE,  
Bruce Savage Co.,  
Indianapolis, Ind.

JOHN J. SCULLY, *Vice President*,  
The Chase National Bank of the  
City of New York,  
New York, N. Y.

ALEXANDER SUMMER,  
Alexander Summer Co.,  
Teaneck, N. J.

JAMES G. THIMMES, *Chairman*,  
CIO Housing Committee,  
Pittsburgh, Pa.

RALPH T. WALKER, *Past President*,  
American Institute of Architects,  
New York, N. Y.

PAUL R. WILLIAMS, *Architect*,  
Los Angeles, Calif.

BEN H. WOOTEN, *President*,  
First National Bank,  
Dallas, Tex.









